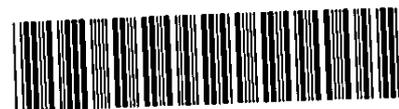


Directors' Report
Audited Financial Statements
Association Culturelle France
- Hong Kong Limited
Year ended 31 August 2020



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Association Culturelle France - Hong Kong Limited

Directors' Report

The directors submit herewith their report and audited financial statements of Association Culturelle France – Hong Kong Limited (“the Association”) for the year ended 31 August 2020.

Principal activity

The principal activity of the Association is the promotion of cultural exchanges principally in language, art and scientific co-operation.

Results and dividends

The results of the Association for the year ended 31 August 2020 are set out in the statement of comprehensive income on page 6.

Directors

The directors who held office during the year or during the period from the end of the year to the date of this report were:

HO Chiu King Pansy Catalina

HO Kin Lap

Kevin THOMPSON

YUEN Andrew S.

DAO Mignonne

KWAI Yuk Nin Catherine

(Resigned on 27 December 2019)

Michelle ONG

CHENG Chi Kong

David ZACHARIAS

(Appointed on 20 January 2021)

CHU Chow Wai

(Resigned on 18 November 2019)

Daphne Lynn KIN

Paule IGNATIO

(Resigned on 31 August 2020)

Benoit Pierre Jacques ETIENNE

Alessandro Gabriele GIORGINI

(Appointed on 8 May 2019)

Benoit Sylvain Samy CORMIER

(Appointed on 18 September 2020)

In accordance with Article 38, 39 and 40 of the Articles of Association, all existing directors retire and, being eligible, will offer themselves for re-election.

Share capital

The Association is limited by guarantee and therefore does not have any share capital.

Every member of the Association undertakes to contribute to the assets of the Association, in the event of it being wound up while he is a member, or within one year after he ceases to be a member, for debts and liabilities of the Association contracted before he ceased to be a member, and for costs of winding up, and adjustments of the rights for the contributories among themselves with such contribution not exceeding HK\$100 each.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Association were entered into or existed during the year.

Equity-linked agreements

No equity-linked agreements into which the Association entered subsisted at any time during the year.

Association Culturelle France - Hong Kong Limited

Directors' Report

Permitted indemnity provisions

No permitted indemnity provision was in force during the year, or is in force at the date of this report, for the benefit of a then director or a director of the Association (whether made by the Association or otherwise).

Honorary auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Mazars CPA Limited, *Certified Public Accountants*, as honorary auditor of the Association.

Approved by the Board of Directors and signed on its behalf by



Director
YUEN Andrew S.
- 2 JUN 2021

Independent Auditor's Report

To the members of
Association Culturelle France - Hong Kong Limited
*(incorporated in Hong Kong with liability limited by guarantee and
not having share capital)*

Opinion

We have audited the financial statements of Association Culturelle France – Hong Kong Limited (the "Association") set out on pages 6 to 28, which comprise the statement of financial position as at 31 August 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 August 2020, and of its financial performance and 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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 Association in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of the Association are responsible for the other information. The other information comprises the directors' report and the detailed income and expenditure accounts.

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

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

Independent Auditor's Report

To the members of

Association Culturelle France - Hong Kong Limited

(incorporated in Hong Kong with liability limited by guarantee and not having share capital)

Responsibilities of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

To the members of

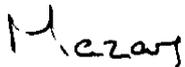
Association Culturelle France - Hong Kong Limited

(incorporated in Hong Kong with liability limited by guarantee and not having share capital)

Auditor's Responsibilities for the Audit of the Financial Statements

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.



Certified Public Accountants
Hong Kong, 2 June 2021

The engagement director on the audit resulting in this independent auditor's report is:
Weatherseed, Stephen Peter Stuart
Practising Certificate number: P05588

Association Culturelle France - Hong Kong Limited

Statement of Comprehensive Income

Year ended 31 August 2020

	Note	2020 HK\$	2019 HK\$
Turnover	3	9,402,873	22,940,815
Cost of projects		<u>(11,205,160)</u>	<u>(18,737,745)</u>
Gross (loss) profit		(1,802,287)	4,203,070
Other income	4	2,500,000	-
Administrative expenses		(8,806,128)	(11,660,155)
Finance costs	5	<u>(274,189)</u>	<u>(258,057)</u>
Deficit before taxation	5	(8,382,604)	(7,715,142)
Income tax expense	6	<u>-</u>	<u>-</u>
Deficit for the year		(8,382,604)	(7,715,142)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(8,382,604)</u>	<u>(7,715,142)</u>

Association Culturelle France - Hong Kong Limited

Statement of Financial Position

At 31 August 2020

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Property, plant and equipment	7	73,908	83,230
Right-of-use assets	8	1,555,400	-
		<u>1,629,308</u>	<u>83,230</u>
Current assets			
Trade and other receivables	9	1,372,811	5,866,209
Cash and bank balances		548,874	289,518
		<u>1,921,685</u>	<u>6,155,727</u>
Current liabilities			
Lease liabilities	8	754,049	-
Trade and other payables	10	30,357,854	22,016,245
Bank overdrafts		1,137,865	5,419,763
		<u>32,249,768</u>	<u>27,436,008</u>
Net current liabilities		<u>(30,328,083)</u>	<u>(21,280,281)</u>
Total assets less current liabilities		<u>(28,698,775)</u>	<u>(21,197,051)</u>
Non-current liabilities			
Lease liabilities	8	880,880	-
NET LIABILITIES		<u>(29,579,655)</u>	<u>(21,197,051)</u>
FINANCED BY:			
Accumulated deficits		<u>(29,579,655)</u>	<u>(21,197,051)</u>

These financial statements on page 6 to 28 were approved and authorised for issue by the Board of Directors on - 2 JUN 2021 and signed on its behalf by



 Director
 Andrew S. YUEN



 Director
 Michelle ONG

Association Culturelle France - Hong Kong Limited

Statement of Changes in Equity

Year ended 31 August 2020

	Accumulated deficits HK\$
At 31 August 2018	(13,481,909)
Loss for the year and total comprehensive loss for the year	<u>(7,715,142)</u>
At 31 August 2019 and 1 September 2019	(21,197,051)
Loss for the year and total comprehensive loss for the year	<u>(8,382,604)</u>
At 31 August 2020	<u><u>(29,579,655)</u></u>

Association Culturelle France - Hong Kong Limited

Statement of Cash Flows

Year ended 31 August 2020

	Note	2020 HK\$	2019 HK\$
OPERATING ACTIVITIES			
Deficit before taxation		(8,382,604)	(7,715,142)
Interest expense		274,189	258,057
Depreciation of property, plant and equipment		27,841	24,137
Depreciation of right-of-use assets		730,012	-
Changes in working capital			
Trade and other receivables		4,493,398	8,360,545
Trade and other payables		8,341,609	371,671
Cash generated from operations and net cash from operating activities		<u>5,484,445</u>	<u>1,299,268</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(18,519)	(54,087)
Net cash used in investing activities		<u>(18,519)</u>	<u>(54,087)</u>
FINANCING ACTIVITIES			
Interest paid		(274,189)	(258,057)
Repayment on principal portion of lease liabilities	11	(650,483)	-
Net cash used in financing activities		<u>(924,672)</u>	<u>(258,057)</u>
Net increase in cash and cash equivalents		4,541,254	987,124
Cash and cash equivalents at beginning of reporting period		<u>(5,130,245)</u>	<u>(6,117,369)</u>
Cash and cash equivalents at end of reporting period		<u><u>(588,991)</u></u>	<u><u>(5,130,245)</u></u>
Represented by:			
Cash and bank balances		548,874	289,518
Bank overdrafts (<i>Note</i>)		(1,137,865)	(5,419,763)
		<u><u>(588,991)</u></u>	<u><u>(5,130,245)</u></u>

Note:

The Association's bank overdrafts carry interest at prime bank interest rate as at 31 August 2020 and 31 August 2019 respectively.

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

1. CORPORATE INFORMATION

Association Culturelle France - Hong Kong Limited (the "Association") is incorporated in Hong Kong as a company limited by guarantee.

Every member of the Association undertakes to contribute to the assets of the Association, in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for debts and liabilities of the Association contracted before he ceased to be a member, and for costs of winding up, and adjustments of the rights of the contributories among themselves with such contribution not exceeding HK\$100 each.

The Association's registered office is located at 27th Floor, 1 Des Voeux Road West, Hong Kong.

The principal activity of the Association is the promotion of cultural exchanges principally in language, art and scientific co-operation.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Association and effective from the current year.

Adoption of new / revised HKFRSs

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Association has applied HKFRS 16 for the first time at 1 September 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Association recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Association also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Association applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new / revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Association's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Association accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Association's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Association recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Association applied the following practical expedients on a lease-by-lease basis.

- (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (c) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The incremental borrowing rate applied to the lease liabilities at the DIA is 3.23% for the office premise and 1.78% for the printer.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 August 2019 and lease liabilities recognised at the DIA is as follows.

	<i>HK\$</i>
Operating lease commitments at 31 August 2019	<u>2,506,680</u>
Discounted using the incremental borrowing rate at the DIA and lease liabilities at 1 September 2019	<u>2,299,212</u>

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new / revised HKFRSs (Continued)

HKFRS 16: Leases (Continued)

The following table summarises the impact of transition to HKFRS 16 as at 1 September 2019:

	31 August 2019 HK\$	Effect on adoption of HKFRS 16 HK\$	1 September 2019 HK\$
<u>Non-current assets</u>			
Right-of-use assets	-	2,299,212	2,299,212
<u>Current liabilities</u>			
Lease liabilities	-	670,612	670,612
<u>Non-current liabilities</u>			
Lease liabilities	-	1,628,600	1,628,600

A summary of the principal accounting policies adopted by the Association is set out below.

Going concern

The financial statements have been prepared in conformity with the principles applicable to a going concern basis. In view of the net deficits, the applicability of these principles is dependent upon the continued availability of adequate finance or attaining profitable operations in the future.

The sustainability of the Association as a going concern is dependent on its ability to successfully complete its project development plans. These are dependent on, among other things, adequate financing being available to the Association to fund the development operations on the assumption that sufficient cash flows will be generated from such operations. Subsequent to the end of the reporting period, the Association has received a donation of HK\$12,000,000, sponsorship income of HK\$9,700,000 from the Leisure and Cultural Services Department, and HK\$3,939,355 from the Hong Kong Jockey Club Charities Trust. The Association has also secured commitments for aggregate donations of HK\$6,500,000 and an interest-free loan of HK\$5,000,000, which is not repayable until 24 months after draw-down of the loan. In light of these donations and sponsorships, the interest-free loan, and ongoing sponsorship from the Hong Kong Jockey Club Charities Trust, in the opinion of the directors, the Association will have adequate funds to meet its obligations in the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of measurement

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation is provided to write off the cost less impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at an annual rate of 20%.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Association becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Association's contractual rights to future cash flows from the financial asset expire or (ii) the Association transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Association's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Association changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (a) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) its 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 at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Association's financial assets at amortised cost include cash and bank balances and trade and other receivables.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Association becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities.

The Association's financial liability includes trade and other payables and bank overdrafts. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items

The Association recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Association measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Association measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral
- (iv) industry of debtors
- (v) geographical location of debtors
- (vi) external credit risk ratings

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Measurement of ECL (Continued)

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Association considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Association may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Association, in full (without taking into account any collaterals held by the Association); or
- (b) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Association 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 Association 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.

Irrespective of the outcome of the above assessment, the Association presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Association assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (a) it has a low risk of default;
- (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (c) 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 Association considers bank balances deposited in recognised financial institutions to have low credit risk.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

For trade receivables, the Association applies a simplified approach in calculating ECL. The Association recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events 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 include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) 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.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Association writes off a financial asset when the Association has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Association writes off the gross carrying amount based on historical experience of recoveries of similar assets. The Association expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Association's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Revenue recognition

Donation income is recognised when the right to receive the donation is granted.

Revenue from contracts with customers within HKFRS 15

The Association is engaged in promotion of cultural exchanges principally in language, art and scientific co-operation.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15 (Continued)

Identification of performance obligations

At contract inception, the Association assesses the goods promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Association's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Association satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Association transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Association's performance as the Association performs;
- (b) the Association's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Association's performance does not create an asset with an alternative use to the Association and the Association has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Association satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Association considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Project income is recognised over time when services are rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Association applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Association's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Association to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

At the end of each reporting period, the Association reviews internal and external sources of information to determine whether its property, plant and equipment and right-of-use assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates (the "functional currency"). The financial statements are presented in the currency of Hong Kong dollars ("HK\$"), which is the Association's functional currency.

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

Leases

Applicable from 1 September 2019

The Association assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Association applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Association has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Applicable from 1 September 2019 (Continued)

As lessee (Continued)

The Association accounts for each lease component within a lease contract as a lease separately. The Association allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Association that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Association recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Association; and
- (d) an estimate of costs to be incurred by the Association in dismantling and removing the underlying asset, 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.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset as follows:

Office premise	3 years
Printer	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Association is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Association exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Applicable from 1 September 2019 (Continued)

As lessee (Continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Association will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Association remeasures the lease liability using a revised discount rate.

The Association recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Association recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease 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.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Association allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Association determines the lease term of the modified contract.
- (c) the Association remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Association accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Association accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Applicable before 1 September 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plan

The obligations for contributions to a defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Association in an independently administered fund.

Related parties

A related party is a person or entity that is related to the Association.

- (a) A person or a close member of that person's family is related to the Association if that person:
 - (i) has control or joint control over the Association;
 - (ii) has significant influence over the Association; or
 - (iii) is a member of the key management personnel of the Association.

- (b) An entity is related to the Association if any of the following conditions applies:
 - (i) The entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association. If the Association is itself such a plan, the sponsoring employers are also related to the Association.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Association or to the parent of the Association.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Association's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Discount rates for calculating lease liabilities – as lessee

The Association uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Association refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Association has not early adopted. The directors do not anticipate that the adoption of these new/revised HKFRSs in future years will have any material impact on the results of the Association.

3. REVENUE

	2020 HK\$	2019 HK\$
<u>Revenue from other sources</u>		
Sponsorship income:		
from the Hong Kong Jockey Club Charities Trust	3,631,687	7,571,606
from others	5,275,000	12,304,880
<u>Revenue from contracts with customers within HKFRS 15</u>		
Project income	496,186	3,064,329
	<u>9,402,873</u>	<u>22,940,815</u>

4. OTHER INCOME

	2020 HK\$	2019 HK\$
Government subsidy from the Anti-Epidemic Fund	<u>2,500,000</u>	<u>-</u>

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

5. DEFICIT BEFORE TAXATION

This is stated after charging (crediting):

	2020 HK\$	2019 HK\$
Finance costs		
Interest expense on lease liabilities	59,489	-
Interest expense on bank overdrafts	214,700	258,057
	<u>274,189</u>	<u>258,057</u>
Other items		
Employee benefits expense	3,953,998	4,107,161
Contributions to defined contribution plans	183,426	197,567
	<u>4,137,424</u>	<u>4,304,728</u>
Auditor's remuneration (*)	-	-
Depreciation		
Property, plant and equipment	27,841	24,137
Right-of-use assets	730,012	-
Exchange loss (gain), net	59,217	(84,203)
Lease payments on low value assets	107,322	-
Operating lease payments on premises	-	61,686
	<u>-</u>	<u>61,686</u>

* The auditor's remuneration is Nil since the auditor acts in an honorary capacity.

6. TAXATION

No provision for taxation has been made as the Association is exempted from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance effective from 12 February 2007.

7. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$
Reconciliation of carrying amount – year ended 31 August 2019	
At beginning of the reporting period	53,280
Additions	54,087
Depreciation	<u>(24,137)</u>
At end of the reporting period	<u>83,230</u>

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment HK\$
Reconciliation of carrying amount – year ended 31 August 2020	
At beginning of the reporting period	83,230
Additions	18,519
Depreciation	<u>(27,841)</u>
At end of the reporting period	<u>73,908</u>
At 1 September 2019	
Cost	274,564
Accumulated depreciation	<u>(191,334)</u>
	<u>83,230</u>
At 31 August 2020	
Cost	293,083
Accumulated depreciation	<u>(219,175)</u>
	<u>73,908</u>

8. LEASES

Right-of-use assets

	Printer HK\$	Office premise HK\$	Total HK\$
Reconciliation of carrying amount – year ended 31 August 2020			
At beginning of the reporting period – upon adoption of HKFRS 16	258,151	2,041,061	2,299,212
Contract modification	-	(13,800)	(13,800)
Depreciation	<u>(51,630)</u>	<u>(678,382)</u>	<u>(730,012)</u>
At the end of the reporting period	<u>206,521</u>	<u>1,348,879</u>	<u>1,555,400</u>
At 31 August 2020			
Cost	258,151	2,027,261	2,285,412
Accumulated depreciation	<u>(51,630)</u>	<u>(678,382)</u>	<u>(730,012)</u>
	<u>206,521</u>	<u>1,348,879</u>	<u>1,555,400</u>

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

8. LEASES (CONTINUED)

Right-of-use assets (Continued)

The Association leases an office premise and a printer for its daily operations. Lease terms range from 3 to 5 years. The leases do not include a renewal option.

During the year, the Association had total cash outflow for leases amounting to HK\$817,294 (2019: HK\$61,686).

Lease liabilities

	HK\$
Current portion	754,049
Non-current portion	<u>880,880</u>
	<u>1,634,929</u>

Lease liabilities as at 31 August 2020 are carried at incremental borrowing rates ranging from 1.78% to 2.79% per annum.

Commitments under leases

At 31 August 2019, the Alliance had total future minimum lease payments under non-cancellable operating leases payable as follows:

	HK\$
Within one year	837,636
In the second to fifth years inclusive	<u>1,669,044</u>
	<u>2,506,680</u>

9. TRADE AND OTHER RECEIVABLES

	2020 HK\$	2019 HK\$
Trade receivables		
From third parties	951,862	5,280,112
Other receivables		
Deposits, prepayments and other receivables	<u>420,949</u>	<u>586,097</u>
	<u>1,372,811</u>	<u>5,866,209</u>

Information about the Association's exposure to credit risks and loss allowance for trade and other receivables is included in note 12.

Association Culturelle France - Hong Kong Limited

Notes to the Financial Statements

Year ended 31 August 2020

10. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2020 <i>HK\$</i>	2019 <i>HK\$</i>
Trade payables			
To third parties		<u>10,045,030</u>	<u>9,701,639</u>
Other payables			
Accrued expenses		1,193,989	1,185,771
Provision for sponsorship / subsidy refund	<i>10(a)</i>	8,000,000	4,750,000
Advance from a sponsor	<i>10(b)</i>	<u>11,118,835</u>	<u>6,378,835</u>
		<u>20,312,824</u>	<u>12,314,606</u>
		<u>30,357,854</u>	<u>22,016,245</u>

10(a) Provision for sponsorship / subsidy refund

The amount represents refunds to be repaid to sponsors regarding the sponsorships / subsidies received in advance for a cancelled project.

10(b) Advance from a sponsor

The amount represents advance received from the Hong Kong Jockey Club Charities Trust for potential projects.

11. OTHER CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

	Lease liabilities <i>HK\$</i>
Year ended 31 August 2020	
At the beginning of the reporting period	-
Adoption of HKFRS 16	2,299,212
Imputed interest expenses	59,489
Contract modification	(13,800)
<i>Net cash flows</i>	
Interest paid	(59,489)
Repayment on principal portion of lease liabilities	<u>(650,483)</u>
At the end of the reporting period	<u>1,634,929</u>

Notes to the Financial Statements

Year ended 31 August 2020

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association's principal financial instruments are trade receivables, cash and bank balances and bank overdrafts. The main purpose of these financial instruments is to raise and maintain finance for the Association's operations. The Association has various other financial instruments such as trade and other payables which arise directly from its business activities.

The main risks arising from the Association's financial instruments are credit risk and liquidity risk. The Association does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limits the Association to these risks to a minimum.

Credit risk

The credit risk of the Association is primarily attributable to trade receivables and bank balances. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the financial statements.

Trade receivables

The Association's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. At the end of the reporting period, the Association had a concentration of credit risk as 100% (2019: 99%) of the total trade receivables was due from the Association's largest sponsor.

The Association applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past three years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Association's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

The information about the exposure to credit risk and ECL for trade using a provision matrix as at 31 August 2020 is summarised below.

As at 31 August 2020

	Expected loss rate %	Gross carrying amount HK\$	Loss allowance HK\$	Credit-impaired
Not past due	-	<u>951,862</u>	<u>-</u>	No

As at 31 August 2019

	Expected loss rate %	Gross carrying amount HK\$	Loss allowance HK\$	Credit-impaired
Not past due	5	<u>5,280,112</u>	<u>-</u>	No

Notes to the Financial Statements

Year ended 31 August 2020

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Trade receivables

The Association considers that the ECL from trade receivables is immaterial, so no loss allowance was recognised during both years.

The Association does not hold any collateral over trade receivables as at 31 August 2020 (2019: Nil).

Bank balances

The Association has limited credit risk with its money deposited in a financial institution, which is reputable and is assessed as having low credit risk. The Association has not had any significant loss arising from non-preferment by this party in the past and management does not expect so in the future.

Liquidity risk

Management of the Association closely monitor the current and expected liquidity requirements to ensure sufficient reserve of cash is available for the Association's business operation in short and longer term. All of the financial liabilities at the end of the reporting period are repayable on demand.

Fair values

All financial instruments are carried at amount not materially different from their fair values as at 31 August 2020 and 2019.

Fund management

The objective of the Association's fund management is to safeguard the Association's ability to continue as a going concern. No change was made in the objectives, policies or processes during the years ended 31 August 2020 and 2019.

13. INFORMATION ABOUT THE BENEFITS OF THE DIRECTORS

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

a) Directors' remuneration

There is no directors' remuneration for the years ended 31 August 2020 and 2019.

b) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Association that were entered into or subsisted during the years ended 31 August 2020 and 2019.

c) Directors' material interests in transactions, arrangement or contracts

The directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Association's business to which the Association was a party and in which directors of the Association had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 August 2020 and 2019.

Management Information

Association Culturelle France - Hong Kong Limited

Detailed Income and Expenditure Accounts

Year ended 31 August 2020

	2020 HK\$	2019 HK\$
Turnover		
Sponsorship income	8,906,687	19,876,486
Project income	496,186	3,064,329
	<u>9,402,873</u>	<u>22,940,815</u>
Cost of project		
Project costs	(11,205,160)	(18,737,745)
	<u>(1,802,287)</u>	<u>4,203,070</u>
Gross (loss) profit	<u>(1,802,287)</u>	<u>4,203,070</u>
Other income - Government subsidy from the Anti-Epidemic Fund	<u>2,500,000</u>	<u>-</u>
Administrative expenses		
Advertising	3,000	1,053,294
Bad debt	-	266,899
Bank charges	24,019	22,996
Building management fee	-	2,643
Computer hardware and software	408	-
Courier and postage	1,246	8,903
Depreciation of property, plant and equipment	27,841	24,137
Depreciation of right-of-use assets	730,012	-
Entertainment	1,900	50,408
Exchange (gain) loss, net	59,217	(84,203)
Insurances	122,578	93,161
Legal and Professional Fees	111,680	83,600
Local travelling	89,287	294,310
Mandatory Provident Fund	183,426	197,567
Office expenses	45,175	9,091
Overseas travelling	7,223	331,404
PayPal Fees	26	15,713
Printing and stationery	8,710	15,092
Provision for sponsorship / subsidy refund	3,250,000	4,750,000
Recruitment expenses	-	2,728
Rental expenses	70,442	379,360
Repairs and Maintenance	-	1,000
Salaries and wages	3,953,998	4,107,161
Sundry expenses	1,500	3,075
Telephone and fax	107,322	25,420
Transportation	2,100	6,396
Utilities expenses	5,018	-
	<u>8,806,128</u>	<u>11,660,155</u>

Management Information

Association Culturelle France - Hong Kong Limited

Detailed Income and Expenditure Accounts

Year ended 31 August 2020

	2020 HK\$	2019 HK\$
Finance cost		
Interest on lease liabilities	59,489	-
Bank overdraft Interest	214,700	258,057
	<u>274,189</u>	<u>258,057</u>
Deficit before taxation	<u>8,382,604</u>	<u>(7,715,142)</u>

Disclosures pursuant to section 436 of the Hong Kong Companies Ordinance (the "HKCO")

The above financial information relating to the years ended 31 August 2020 and 31 August 2019 does not constitute the Association's specified financial statements for the years as defined in section 436 of the HKCO but is derived therefrom.

The Association is not required to deliver its specified financial statements to the Registrar of Companies and has not done so.

Auditor's reports have been prepared on the specified financial statements for both years.

The auditor's reports for both years:

- were not qualified or otherwise modified;
- did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports; and
- did not contain a statement under section 406(2), 407(2) or 407(3) of the HKCO.