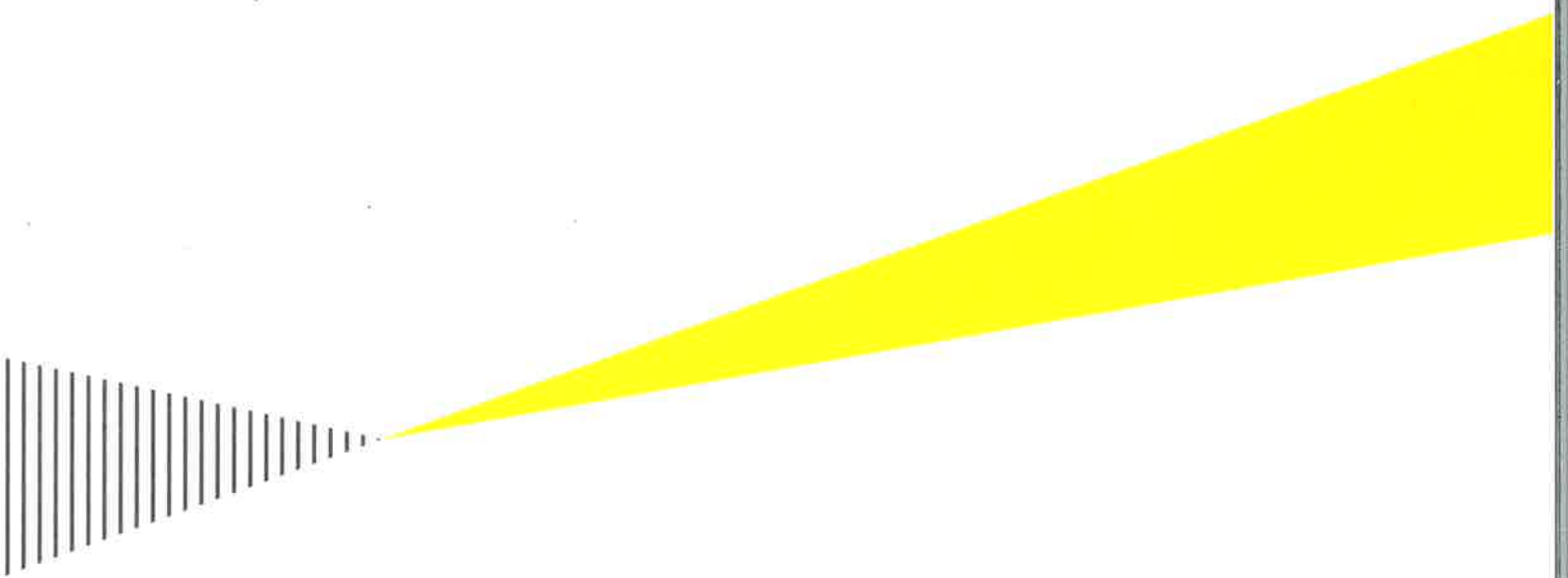


Report of the Council Members and Audited Financial Statements

HONG KONG CHINESE ORCHESTRA LIMITED

香港中樂團有限公司
(Limited by Guarantee)

31 March 2018



HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

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HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

REPORT OF THE COUNCIL MEMBERS

The council members (the "Council Members") present their report and the audited financial statements of Hong Kong Chinese Orchestra Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2018.

Principal activities

With effect from 1 April 2001, the Company took over from Leisure and Cultural Services Department ("LCSD") of the Government of the Hong Kong Special Administrative Region ("the Government") the running of the Hong Kong Chinese Orchestra.

The Hong Kong Chinese Orchestra is the only professional Chinese orchestra in Hong Kong and one of the largest and most renowned of its type in the world. The Company and the Group present symphonic music based on traditional folk repertoires and full-scale contemporary compositions. The principal activities of the Company and of the Group consist of providing Chinese music programmes of different styles to blend the diverse artistic expressions and techniques of today with the traditional culture of China in interpretation of metropolitan life, as well as rendering promotion, education, research and development of traditional and modern Chinese music. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's surplus for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 11 to 37.

Council

The Council Members of the Company during the year and up to date of this report were:

Li Wai Keung	(elected as Chairman on 4 December 2017)
Chan Wai Kai	(elected as Vice Chairman on 4 December 2017)
Lai Hin Wing, Henry	(elected as Vice Chairman on 4 December 2017)
Chan Shum Yue, Bonnie	(elected as Treasurer on 4 December 2017)
Lu Hing Yiu, Bryant	(elected as Hon Secretary on 4 December 2017)
Wong Ka Lun	(resigned and re-elected on 4 December 2017)
Chan Wing Wah	(resigned and re-elected on 4 December 2017)
Wong Wai Ling, Veanne	
Chung Shu Kun, Christopher	
Ng Sau Kei, Wilfred	
Woo King Hang	(elected on 4 December 2017)
Tsui Wai Ling, Carlye	(resigned on 4 December 2017)

HONG KONG CHINESE ORCHESTRA LIMITED
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REPORT OF THE COUNCIL MEMBERS

Council (continued)

The Council Members of the subsidiaries during the year and up to date of this report were:

Chan Shum Yue, Bonnie	
Chan Wai Kai	(resigned and re-elected on 4 December 2017)
Chan Wing Wah	(resigned and re-elected on 4 December 2017)
Chung Shu Kun, Christopher	
Lai Hin Wing, Henry	
Li Wai Keung	
Lu Hing Yiu, Bryant	
Ng Sau Kei, Wilfred	
Wong Wai Ling, Veanne	
Wong Ka Lun	(resigned and re-elected on 4 December 2017)
Tsui Wai Ling, Carlye	(resigned on 4 December 2017)

In accordance with article 50 of the Company's articles of association, the Chairman, Vice-Chairmen and Treasurer will retire from their respective offices and shall be eligible for re-election at the forthcoming annual general meeting.

Permitted indemnity provision

During the year ended 31 March 2018, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for indemnities against liabilities incurred by council members of the Company.

Council Members' interests

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Council Members to acquire benefits by means of the acquisition of debentures of the Company or any other body corporate.

Council Members' interests in transactions, arrangements or contracts

No Council Members had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of the Company's subsidiaries was a party during the year.

Business review

Our business

The Group is committed to promoting Chinese music culture, with the provision of high-quality and wide-ranging Chinese music programmes as its core activities which include orchestral and ensemble concerts, educational activities, training courses, themed festivals, competitions, and research and development of musical instruments.

HONG KONG CHINESE ORCHESTRA LIMITED
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REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Such principal activities are reviewed under the following categories:

Regular concerts, outreach performances, hired engagements and festivals

To bring the colourful world of Chinese music to the public, the Company organises more than one hundred regular and outreach concerts a year as well as mass activities and themed festivals. To date, it has achieved three Guinness World Records in mass performance, and laid many milestones in the development of Chinese orchestral music. Notable examples are the Hong Kong Drum Festival, launched in 2003, and The International Conducting Competition for Chinese Music in 2011, both of which have become regular and keenly anticipated events on the local and international music scene.

Overseas tours

The Company has been invited to perform at various famous venues and international festivals around the world. It has contributed tremendously to cultural diplomacy and is widely acclaimed as a cultural ambassador of Hong Kong.

Art education

To nurture the growth of a new generation of music-makers and widen the audience base in Chinese music, the Company gives performances in schools and organises instrumental classes. The Hong Kong Children Chinese Orchestra and the Hong Kong Junior Chinese Orchestra were established in 2003. Educational projects have been organised in conjunction with radio and television stations as well as other institutions. The Company has been working in conjunction with the Hong Kong Academy for Performing Arts, the Music Office, the Hong Kong Arts Development Council, the Leisure and Cultural Services Department to provide opportunities for local artists, arts administrators through training, internship and commissioning of works.

Research and development

The Company has been dedicated to developing and conducting research on Chinese music, whether traditional or contemporary. It explores new frontiers in music through commissioning new works of various types and styles. Over the years, it has commissioned more than 2,300 original compositions and arrangements, many of which have won awards at home and abroad.

In the constant search for excellence in Chinese music, the Group has put in long-term efforts for instrument research and development, and has developed a full range of *eco-huqins*. The expressiveness and performance of the *eco-huqin* series are an improvement over the traditional versions, as a result of which it has won many awards in China, including national awards, and elsewhere.

Records and publications

The Company has an extensive discography of over 50, which includes live recordings of its concerts and studio recordings in CD, VCD and DVD formats. Apart from collating and publishing papers presented at symposia and conferences, it has also published several books on Chinese music.

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Financial review

Income

The total income of the Group was HK\$91.0 million (2017: HK\$78.2 million) for the year, of which HK\$64.5 million (2017: HK\$64.6 million) were subsidies from the Home Affairs Bureau of the Hong Kong Government, accounted for 70.9% of its total income. The Group's total earned income (excluding Government subsidies and Government grants included in other revenue) for the year significantly increased 96.7% to HK\$26.1 million (2017: HK\$13.3 million), of which the box office income, outbound cultural exchange activities income, outreach and other activities income, and donations and sponsorships increased by 46.2%, 267.7%, 104.7% and 134.3% respectively.

Expenditure

The Group continues to exercise stringent control over its general expenditures. The total operating costs of the Group increased by 9.6% to HK\$86.4 million (2017: HK\$78.9 million) was mainly attributable to the increase in touring expenses incurred for overseas performances in several cities in Mainland China in current year.

Deficit/surplus for the year

In conclusion of the analysis above, the Group recognised a surplus of HK\$4.5 million (2017 deficit: HK\$0.6 million) for the year.

Liquidity and financial resources

The Group funds its operation mainly through Government subvention, cash from operations and other self-financing activities. It has maintained a healthy liquid position for business development and adopted a prudent treasury policy. The total cash and bank deposits as at 31 March 2018 amounted to HK\$23.7 million (2017: HK\$22.1 million). The working capital (current assets less current liabilities) of the Group was HK\$19.7 million (2017: HK\$15.2 million). The Company will continue to place fixed deposits with its surplus cash with banks to maintain stable and safe investment returns.

Key performance indicators

A framework of Key Performance Indicators for a performing arts organisation should include both financial and non-financial data. Non-financial data to show intangible contribution is especially vital in this case due to the shorter history of the art form of Chinese orchestral music. The Indicators involve creating innovative programmes, nurturing local young practitioners and commissioning of original compositions etc. Some indicators are listed below for reference:

	2018	2017
Average income from regular concerts per audience (Income from regular concerts/number of audiences)	HK\$158.9	HK\$116.2
Total local performing sessions (including local concerts and other performance activities)	176	173
Total overseas performing sessions	13	17

REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Corporate relations with Government, sponsors, employees, customers and suppliers

As a non-profit-distributing organisation subvented by the Government, the Company strictly observes and follows the requirements and regulations laid down by the Government. In being accountable to the Government, sponsors and other stakeholders as to the specific use of funds, the Company seeks to disclose information through various channels such as annual reports and the Company's website, with a view to achieving a high level of transparency to offer the stakeholders and the public a clear and thorough understanding of the business.

The Group regards its employees as valuable assets and for this purpose, provides its staff with various channels in day-to-day operations to express their views and opinions related to work. The Council Chairman or Council Members meet with employees from time to time to listen to their opinions. An effective staff appraisal system is in place, which links compensation with team spirit, discipline, market trends, and Company and individual performance. For years, the Group has been supporting its staff's professional development by enrolling them in training courses, seminars or performances of other art groups so as to enhance their technical and practical knowledge.

In its continuous pursuit of improvement and enhancement of programmes, the Group proactively seeks feedback and views from the audience by inviting them to complete post-performance questionnaires. These are collated and evaluated to ensure that the Company will meet the highest professional and artistic standards.

The Group strives to maintain a fair and collaborative relationship with suppliers, and no major supplier has had an undue influence on its operations arising out of the nature of their business with the Group.

Corporate cultural, education and social responsibilities

The Company aims to enhance the quality of life of the public by presenting programmes that are well-balanced, diversified and abreast of the times. It reciprocates the support and encouragement of the community with innovative programming and artistic excellence that would please and delight the audience.

To assume an ambassadorial role for Chinese music culture, the Company has been actively promoting Chinese music by performing and giving educational workshops overseas. At its home base, its educational initiatives for the young include the establishment of the Hong Kong Junior Chinese Orchestra, instrumental training classes, touring concerts to schools and workshops, etc.

The Company launched the "*Music for Love*" scheme in 2005 with the purpose of allowing all members of the community to attend the Company's performances for free. Since then, many primary and secondary school students and underprivileged groups and families have had the opportunity to enjoy the beauty of Chinese music.

The Company is the first performing arts group to be awarded the "Ten Plus Caring Company" logo by the Hong Kong Council of Social Service in recognition of its continuous efforts in implementing corporate responsibility and contribution to social environment.

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Compliance with laws and regulations

The Group has an internal control system in place to monitor on-going compliance with relevant laws and regulations. During the year, there was no instance of non-compliance with any relevant laws and regulations that the Group was aware of which might cause a significant impact.

Environmental policies and performances

The Group supports the protection of the environment by researching and developing the Eco-Huqin series, its uniqueness being its use of bio-degradable materials in place of python skin as used in traditional huqins. The value of the Eco-Huqin series is well recognised and acknowledged.

It is also the Group's ongoing concern to save energy, reduce waste and protect the environment during its day-to-day operations. A number of measures have been implemented for such purposes.

Principal risks and uncertainties

The general outlook of the Group is positive, but the following uncertainties may be worth considering and may cause concern.

Reduced subvention by the Government

The major source of revenue of the Company is Government subvention. A change in the Government policy on subsidy will affect the operations of the Company.

Difficulties in fund raising and audience building

Owing to the historical colonial background of Hong Kong, Western art forms tend to be more appealing to the community and potential sponsors. This may affect fund raising and audience building for the Group. Global economic uncertainty, especially in Mainland China, has lessened the willingness of many Chinese institutions to offer sponsorships and donations to the Group.

Exposure to fluctuations in economic conditions

The weak growth of global economies may weaken the consumption power of the public, especially in spending on cultural and leisure products.

Future development of the Group's business

The Group will continue to strive for artistic excellence, broaden its range of services to the community, and make Chinese orchestral music accessible to all by producing a good mix of innovative programmes. By working together, it hopes to create a more close-knit society, with music as an excellent bond.

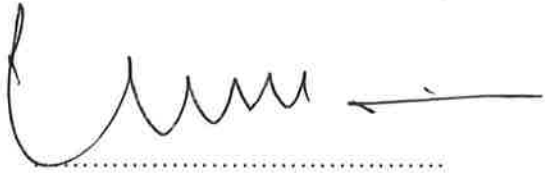
HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

REPORT OF THE COUNCIL MEMBERS

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE COUNCIL

A handwritten signature in black ink, consisting of a large initial 'L' followed by several loops and a horizontal line extending to the right.

Li Wai Keung
Chairman

Hong Kong
28 August 2018



Ernst & Young
22/F, CITIC Tower
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Central, Hong Kong

安永會計師事務所
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Independent auditor's report

To the members of Hong Kong Chinese Orchestra Limited

(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the consolidated financial statements of Hong Kong Chinese Orchestra Limited (the "Company") and its subsidiaries (the "Group") set out on pages 11 to 37, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of income and expenditure, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 31 March 2018, 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 Companies Ordinance.

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.

Information other than the consolidated financial statements and auditor's report thereon

The council members of the Company (the "Council Members") are responsible for the other information. The other information comprises the information included in the report of the Council Members.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 (continued)
To the members of Hong Kong Chinese Orchestra Limited
(Incorporated in Hong Kong with limited liability by guarantee)

Responsibilities of the Council Members for the consolidated financial statements

The Council Members 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 Companies Ordinance, and for such internal control as the Council Members 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 Council Members 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 Council Members either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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. Our 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 consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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 Council Members.

Independent auditor's report (continued)

To the members of Hong Kong Chinese Orchestra Limited

(Incorporated in Hong Kong with limited liability by guarantee)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the Council Members' 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.
- 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 the board of Council Members 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.

Report on other matters under the Agreement between the Government of the Hong Kong Special Administrative Region and the Company (the "Agreement")

We report that the Company has complied with, in all material respects, the requirements as set by the Government to keep proper books and records and to prepare annual financial report of the activities in accordance with the books and records, as well as all the accounting requirements in the Agreement and other relevant documents such as Accounting Standards and Accounting Guidelines.

A handwritten signature in blue ink, appearing to read 'Ernst & Young', is located below the text of the report.

Certified Public Accountants
Hong Kong
28 August 2018

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

Year ended 31 March 2018

	Notes	General Fund HK\$	Development Fund and subsidiaries HK\$	2018 Total HK\$	General Fund HK\$	Development Fund and subsidiaries HK\$	2017 Total HK\$
INCOME							
Income from concerts and other performances							
Box office income		5,760,456	-	5,760,456	3,940,471	-	3,940,471
Hired engagement income		1,142,739	-	1,142,739	593,900	-	593,900
Outbound cultural exchange activities income		6,395,906	-	6,395,906	1,739,570	-	1,739,570
Outreach and other activities income		715,012	1,380,951	2,095,963	297,635	726,500	1,024,135
Government subsidies							
Recurrent	4	62,535,359	-	62,535,359	62,535,359	-	62,535,359
Contestable Funding Pilot Scheme	4	1,989,048	-	1,989,048	2,084,017	-	2,084,017
Donations and sponsorships	5	8,479,960	-	8,479,960	3,396,256	223,166	3,619,422
Revenue from training courses		-	991,580	991,580	-	1,126,774	1,126,774
Other revenue	6	766,292	803,332	1,569,624	906,349	673,486	1,579,835
		<u>87,784,772</u>	<u>3,175,863</u>	<u>90,960,635</u>	<u>75,493,557</u>	<u>2,749,926</u>	<u>78,243,483</u>
EXPENDITURE							
Concert production costs	7	20,638,020	531,349	21,169,369	15,402,483	414,145	15,816,628
Payroll and related expenses	8	49,749,134	1,441,843	51,190,977	48,139,790	1,671,903	49,811,693
Marketing and fund raising expenses		7,599,239	33,505	7,632,744	6,682,714	52,132	6,734,846
Other operating expenses	9	5,969,273	486,422	6,455,695	6,110,580	377,033	6,487,613
		<u>83,955,666</u>	<u>2,493,119</u>	<u>86,448,785</u>	<u>76,335,567</u>	<u>2,515,213</u>	<u>78,850,780</u>

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE (continued)

Year ended 31 March 2018

	Notes	General Fund HK\$	Development Fund and subsidiaries HK\$	2018 Total HK\$	General Fund HK\$	Development Fund and subsidiaries HK\$	2017 Total HK\$
SURPLUS/(DEFICIT) BEFORE TAX	10	3,829,106	682,744	4,511,850	(842,010)	234,713	(607,297)
Income tax expense	12	-	-	-	-	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		3,829,106	682,744	4,511,850	(842,010)	234,713	(607,297)

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	General Fund HK\$	Development Fund and subsidiaries HK\$	2018 Total HK\$	General Fund HK\$	Development Fund and subsidiaries HK\$	2017 Total HK\$
SURPLUS/(DEFICIT) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>3,829,106</u>	<u>682,744</u>	<u>4,511,850</u>	<u>(842,010)</u>	<u>234,713</u>	<u>(607,297)</u>

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

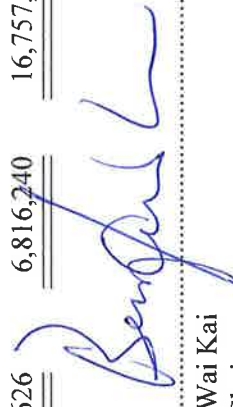
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	General Fund HK\$	Development Fund and subsidiaries HK\$	2018 Total HK\$	General Fund HK\$	Development Fund and subsidiaries HK\$	2017 Total HK\$
NON CURRENT ASSET							
Plant and equipment	13	1,539,229	-	1,539,229	1,587,695	-	1,587,695
CURRENT ASSETS							
Accounts receivable	14	3,637,081	-	3,637,081	2,397,075	-	2,397,075
Prepayments, deposits and other receivables	15	5,270,965	309,081	5,580,046	4,296,652	174,330	4,470,982
Cash and bank balances	16	16,042,360	7,610,066	23,652,426	15,246,432	6,858,982	22,105,414
Total current assets		24,950,406	7,919,147	32,869,553	21,940,159	7,033,312	28,973,471
CURRENT LIABILITIES							
Creditors and accrued liabilities	17	12,718,903	420,163	13,139,066	13,586,228	217,072	13,803,300
NET CURRENT ASSETS		12,231,503	7,498,984	19,730,487	8,353,931	6,816,240	15,170,171
NET ASSETS		13,770,732	7,498,984	21,269,716	9,941,626	6,816,240	16,757,866
RESERVES		13,770,732	7,498,984	21,269,716	9,941,626	6,816,240	16,757,866



Li Wai Keung
Chairman



Chan Wai Kai
Vice Chairman

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	General Fund HK\$	Development Fund and subsidiaries HK\$	Total HK\$
At 1 April 2016	10,783,636	6,581,527	17,365,163
Total comprehensive income/(loss) for the year	<u>(842,010)</u>	<u>234,713</u>	<u>(607,297)</u>
At 31 March 2017 and 1 April 2017	9,941,626	6,816,240	16,757,866
Total comprehensive income for the year	<u>3,829,106</u>	<u>682,744</u>	<u>4,511,850</u>
At 31 March 2018	<u><u>13,770,732</u></u>	<u><u>7,498,984</u></u>	<u><u>21,269,716</u></u>

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK\$	2017 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(deficit) before tax		4,511,850	(607,297)
Adjustments for:			
Interest income	6	(135,456)	(181,006)
Depreciation	10	866,503	1,015,334
Loss on disposal of items of plant and equipment	10	31,204	11,037
		<u>5,274,101</u>	<u>238,068</u>
Increase in accounts receivable		(1,240,006)	(2,054,897)
Increase in prepayments, deposits and other receivables		(1,109,064)	(2,597,630)
Increase/(decrease) in creditors and accrued liabilities		(664,234)	903,397
		<u>2,260,797</u>	<u>(3,511,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		135,456	181,006
Purchases of items of plant and equipment	13	(849,241)	(949,783)
Decrease in time deposits with original maturity of more than three months when acquired		3,000,000	13,239,445
Net cash flows from investing activities		<u>2,286,215</u>	<u>12,470,668</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>19,105,414</u>	<u>10,145,808</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>23,652,426</u></u>	<u><u>19,105,414</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	<u><u>23,652,426</u></u>	<u><u>19,105,414</u></u>

HONG KONG CHINESE ORCHESTRA LIMITED
(Limited by Guarantee)

NOTES TO FINANCIAL STATEMENTS

31 March 2018

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in Hong Kong on 7 February 2001 with limited liability by guarantee. The liability of the members is limited to HK\$100 per member.

The registered office of the Company is located at 7/F, Sheung Wan Municipal Services Building, 345 Queen's Road Central, Hong Kong.

During the year, the Group was involved in providing Chinese music programmes of different styles to blend the diverse artistic expressions and techniques of today with the traditional culture of China in interpretation of metropolitan life, as well as rendering promotion, education, research and development of traditional and modern Chinese music.

Pursuant to the government's approval on 14 August 2002, a Development Fund was set up for the funding of non-subsent activities which fall outside the ambit of government subvention and will be used for organising events and activities to further promote Chinese music. The General Fund accounts for all government subvented activities and the Development Fund accounts for all non-subsent activities.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity directly attributable to the Company		Principal activities
			2018	2017	
Hong Kong Children Chinese Orchestra Limited*	Hong Kong	HK\$2	100	100	Dormant
Hong Kong Junior Chinese Orchestra Limited*	Hong Kong	HK\$2	100	100	Dormant
Hong Kong Young Chinese Orchestra Limited*	Hong Kong	HK\$2	100	100	Dormant
HKCO Orchestral Academy Limited*	Hong Kong	HK\$1	100	100	Dormant
HKCO Artistic Research and Development Company Limited*	Hong Kong	HK\$1	100	100	Artistic research and development

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

HONG KONG CHINESE ORCHESTRA LIMITED
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2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated under Development Fund from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, reserves, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the statement of income and expenditure. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of income and expenditure or reserves, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

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2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs, which are applicable to its operations, for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS12</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon their initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's financial performance and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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 Group or an entity related to the Group;
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its 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 assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognised in the statement of income and expenditure whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of income and expenditure in the year in which it arises.

Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of 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. Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of income and expenditure in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and equipment	33 $\frac{1}{3}$ %
Musical instruments	25%
Computer equipment	33 $\frac{1}{3}$ %

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and equipment (continued)

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of income and expenditure in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of income and expenditure on the straight-line basis over the lease terms.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of income and expenditure.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the statement of income and expenditure is also recognised in other comprehensive income or the statement of income and expenditure, respectively).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Financial instruments

The Group classifies its financial instruments into the following categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. Purchases and sales of the financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the assets.

(a) Financial assets

The Group's financial assets include accounts receivable, deposits and other receivables and cash and bank balances, and are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Financial assets (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment allowances.

The Group recognises losses for impaired loans promptly where there is objective evidence that impairment of a loan or a portfolio of loans has occurred. Impairment allowances are assessed either individually for individually significant loans or collectively for loan portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of income and expenditure.

(b) Financial liabilities

The Group's financial liabilities include creditors and accrued liabilities. Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the statement of income and expenditure is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided using liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

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

- (a) contributions from sponsors and donations, on a cash receipt basis or in the period as specified by the donor;
- (b) performance fee, income from concerts and other programmes, on an accrual basis;
- (c) training course income, on an accrual basis;
- (d) from the sale of goods or souvenirs, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (e) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (f) membership fees, on a cash receipt basis.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

NOTES TO FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of income and expenditure 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. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Development Fund

Development Fund was established for the funding of non-subsided activities, which fall outside the ambit of government subvention. Development Fund raised funds from public by soliciting donations and organising Chinese music related events.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies which have a significant effect on the financial statements are set out below.

Impairment of assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. GOVERNMENT SUBSIDIES

(i) Recurrent subsidy

The Group's Government subsidies include recurrent subsidy of HK\$62,535,359 (2017: HK\$62,535,359) from the Government for providing Chinese musical programmes of different styles. There are no unfulfilled conditions or contingencies relating to these grants.

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4. GOVERNMENT SUBSIDIES (continued)

(ii) Supplementary subsidies under Contestable Funding Pilot Scheme

The Group's supplementary Government subsidies of HK\$1,989,048 (2017: HK\$2,084,017) are granted under Contestable Funding Pilot Scheme (the "Scheme") for two (2017: three) projects, "Chinese Music Without Bounds" and "International Youth Chinese Music Festival" (2017: "Capering Notes - Professional Internship Program", "Chinese Music Without Bounds" and "International Youth Chinese Music Festival"). Included in the consolidated statements of income and expenditure and financial position are the following items which are related to the Scheme.

	Capering Notes - Professional Internship Program		Chinese Music Without Bounds		International Youth Chinese Music Festival		Total	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Income								
Supplementary government subsidy	-	626,808	229,364	797,110	1,759,684	660,099	1,989,048	2,084,017
Box office income	-	9,500	-	-	27,791	-	27,791	9,500
Interest income	-	-	-	1,542	915	6,877	915	8,419
Other revenue	-	-	-	4,500	-	-	-	4,500
	-	636,308	229,364	803,152	1,788,390	666,976	2,017,754	2,106,436
Expenditure								
Concert production costs	-	(49,311)	(214,664)	(635,425)	(1,077,283)	(52,000)	(1,291,947)	(736,736)
Payroll and related expenses	-	(553,760)	(400)	(40,488)	(293,030)	(206,531)	(293,430)	(800,779)
Marketing expenses	-	(21,937)	-	(127,223)	(393,779)	(407,555)	(393,779)	(556,715)
Other operating expenses	-	(11,300)	(14,300)	(16)	(24,298)	(890)	(38,598)	(12,206)
	-	(636,308)	(229,364)	(803,152)	(1,788,390)	(666,976)	(2,017,754)	(2,106,436)
Surplus for the year	-	-	-	-	-	-	-	-

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4. GOVERNMENT SUBSIDIES (continued)

(ii) Supplementary subsidies under Contestable Funding Pilot Scheme (continued)

	Capering Notes - Professional Internship Program		Chinese Music Without Bounds		International Youth Chinese Music Festival		Total
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$	
Deferred income – supplementary government subsidy							
At the beginning of year	-	455,665	203,030	1,000,140	1,859,670	2,519,769	3,975,574
Received during the year	-	171,143	26,334	-	-	-	171,143
Released to the statement of income and expenditure	-	(626,808)	(229,364)	(797,110)	(1,759,684)	(660,099)	(2,084,017)
At the end of the year #	-	-	-	203,030	99,986	1,859,670	2,062,700

Amounts are included in "Creditors and accrued liabilities" on the face of the consolidated statement of financial position.

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5. DONATIONS AND SPONSORSHIPS

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
Donations and sponsorships for designated concerts	8,140,008	-	8,140,008	2,420,674	215,886	2,636,560
Other donations and sponsorships (Note)	<u>339,952</u>	<u>-</u>	<u>339,952</u>	<u>975,582</u>	<u>7,280</u>	<u>982,862</u>
	<u>8,479,960</u>	<u>-</u>	<u>8,479,960</u>	<u>3,396,256</u>	<u>223,166</u>	<u>3,619,422</u>

Note: The donation for the year included the grant from the donation box income of HK\$2,516 (2017: Nil).

6. OTHER REVENUE

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
Membership fees from "Friends of Hong Kong Chinese Orchestra"	31,850	-	31,850	23,520	-	23,520
Bank interest income	99,734	35,722	135,456	126,110	54,896	181,006
Sales of souvenirs	40,448	-	40,448	71,791	-	71,791
Other income (Notes)	<u>594,260</u>	<u>767,610</u>	<u>1,361,870</u>	<u>684,928</u>	<u>618,590</u>	<u>1,303,518</u>
	<u>766,292</u>	<u>803,332</u>	<u>1,569,624</u>	<u>906,349</u>	<u>673,486</u>	<u>1,579,835</u>

Notes:

- (i) Included in the balance is a total grant of HK\$349,821 (2017: HK\$359,262) for the year from Leisure and Cultural Services Department ("LCSD") of the Government under trainee programmes of Venture Partnership Scheme.
- (ii) Excluded from the balance are management fee of HK\$74,100 (2017: HK\$34,400) and royalty fee of HK\$51,870 (2017: HK\$24,080) received by the Company from a subsidiary during the year. They are eliminated in full on consolidation.

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7. CONCERT PRODUCTION COSTS

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
Honorariums to guest conductors, artists and soloists	5,877,844	-	5,877,844	4,819,917	-	4,819,917
Transportation of musical instruments	2,132,713	92,936	2,225,649	1,389,543	79,332	1,468,875
Venue rental for rehearsals and performances	2,434,952	-	2,434,952	1,718,109	6,150	1,724,259
Music scores, tapes and records	796,379	-	796,379	439,400	-	439,400
Other production costs	9,396,132	438,413	9,834,545	7,035,514	328,663	7,364,177
	<u>20,638,020</u>	<u>531,349</u>	<u>21,169,369</u>	<u>15,402,483</u>	<u>414,145</u>	<u>15,816,628</u>

8. PAYROLL AND RELATED EXPENSES

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
Artistic						
Salaries	32,199,713	614,982	32,814,695	30,390,141	742,675	31,132,816
Benefits	4,884,374	-	4,884,374	5,213,008	-	5,213,008
Administration						
Salaries	10,046,571	778,235	10,824,806	9,427,287	883,795	10,311,082
Benefits	906,445	48,626	955,071	1,091,742	45,433	1,137,175
Staff welfare	1,712,031	-	1,712,031	2,017,612	-	2,017,612
	<u>49,749,134</u>	<u>1,441,843</u>	<u>51,190,977</u>	<u>48,139,790</u>	<u>1,671,903</u>	<u>49,811,693</u>

9. OTHER OPERATING EXPENSES

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
Rent and rates for office	2,722,533	215,333	2,937,866	2,673,667	209,812	2,883,479
Depreciation	866,503	-	866,503	1,015,334	-	1,015,334
Printing, stationery and postage	248,563	15	248,578	229,599	861	230,460
Renovation and repairs	274,894	-	274,894	239,309	-	239,309
Other office expenses	1,739,105	240,161	1,979,266	1,886,523	150,213	2,036,736
Miscellaneous expenses	117,675	30,913	148,588	66,148	16,147	82,295
	<u>5,969,273</u>	<u>486,422</u>	<u>6,455,695</u>	<u>6,110,580</u>	<u>377,033</u>	<u>6,487,613</u>

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10. SURPLUS/(DEFICIT) BEFORE TAX

The Group's surplus/(deficit) before tax is arrived at after charging:

	General Fund HK\$	Development Fund and subsidiaries HK\$	2018 Total HK\$	General Fund HK\$	Development Fund and subsidiaries HK\$	2017 Total HK\$
Auditors' remuneration	115,600	8,500	124,100	93,400	7,000	100,400
Loss on disposal of items of plant and equipment	31,204	-	31,204	11,037	-	11,037
Depreciation	866,503	-	866,503	1,015,334	-	1,015,334
Operating lease rental on land and building	<u>5,014,952</u>	<u>215,333</u>	<u>5,230,285</u>	<u>4,298,109</u>	<u>215,962</u>	<u>4,514,071</u>

11. COUNCIL MEMBERS' REMUNERATION

No Council Members received or are going to receive any remuneration in respect of their services during the year (2017: Nil).

12. INCOME TAX

The Company exempted from all taxes under Section 88 of the Inland Revenue Ordinance. No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

No provision for Hong Kong profits tax has been provided for its subsidiaries as they did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

There was no material unprovided deferred tax for its subsidiaries in respect of the year and as at the end of the reporting period (2017: Nil).

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13. PLANT AND EQUIPMENT

	Furniture and equipment HK\$	Musical instruments HK\$	Computer equipment HK\$	Total HK\$
At 31 March 2018				
At 1 April 2017:				
Cost	4,395,348	4,628,613	814,996	9,838,957
Accumulated depreciation	<u>(4,089,796)</u>	<u>(3,420,310)</u>	<u>(741,156)</u>	<u>(8,251,262)</u>
Net carrying amount	<u>305,552</u>	<u>1,208,303</u>	<u>73,840</u>	<u>1,587,695</u>
At 1 April 2017, net of accumulated depreciation	305,552	1,208,303	73,840	1,587,695
Additions	337,120	225,920	286,201	849,241
Disposal	-	(31,204)	-	(31,204)
Depreciation provided during the year	<u>(193,664)</u>	<u>(570,689)</u>	<u>(102,150)</u>	<u>(866,503)</u>
At 31 March 2018, net of accumulated depreciation	<u>449,008</u>	<u>832,330</u>	<u>257,891</u>	<u>1,539,229</u>
At 31 March 2018:				
Cost	4,679,019	4,716,447	877,650	10,273,116
Accumulated depreciation	<u>(4,230,011)</u>	<u>(3,884,117)</u>	<u>(619,759)</u>	<u>(8,733,887)</u>
Net carrying amount	<u>449,008</u>	<u>832,330</u>	<u>257,891</u>	<u>1,539,229</u>

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13. PLANT AND EQUIPMENT (continued)

	Furniture and equipment HK\$	Musical instruments HK\$	Computer equipment HK\$	Total HK\$
At 31 March 2017				
At 1 April 2016:				
Cost	4,340,867	3,988,955	975,140	9,304,962
Accumulated depreciation	<u>(3,888,772)</u>	<u>(2,885,061)</u>	<u>(866,846)</u>	<u>(7,640,679)</u>
Net carrying amount	<u>452,095</u>	<u>1,103,894</u>	<u>108,294</u>	<u>1,664,283</u>
At 1 April 2016, net of accumulated depreciation	452,095	1,103,894	108,294	1,664,283
Additions	180,228	713,005	56,550	949,783
Disposal	-	(9,813)	(1,224)	(11,037)
Depreciation provided during the year	<u>(326,771)</u>	<u>(598,783)</u>	<u>(89,780)</u>	<u>(1,015,334)</u>
At 31 March 2017, net of accumulated depreciation	<u>305,552</u>	<u>1,208,303</u>	<u>73,840</u>	<u>1,587,695</u>
At 31 March 2017:				
Cost	4,395,348	4,628,613	814,996	9,838,957
Accumulated depreciation	<u>(4,089,796)</u>	<u>(3,420,310)</u>	<u>(741,156)</u>	<u>(8,251,262)</u>
Net carrying amount	<u>305,552</u>	<u>1,208,303</u>	<u>73,840</u>	<u>1,587,695</u>

14. ACCOUNTS RECEIVABLE

The Group's accounts receivable are receivables from Urban Ticketing System ("URBTIX") of LCSD on concert income, and receivables from its customers on performance fee and others. The sales of concert tickets are mainly conducted through URBTIX, and the Group receives the concert income from LCSD one to two months after the completion of the related concerts. The credit period offered to other customers is generally for a period of one to two months. The Group seeks to maintain strict control over their outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Accounts receivable are non-interest-bearing.

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14. ACCOUNTS RECEIVABLE (continued)

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

	2018 HK\$	2017 HK\$
Neither past due nor impaired	3,587,697	2,256,388
1 to 3 months past due but not impaired	49,384	140,687
	<u>3,637,081</u>	<u>2,397,075</u>

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Council Members of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 March 2018, the Group's deposits and other receivables were neither past due nor impaired (2017: Nil).

16. CASH AND BANK BALANCES

	2018 HK\$	2017 HK\$
Cash on hand and at banks	23,652,426	19,105,414
Time deposits with original maturity of more than three months when acquired	-	3,000,000
	<u>23,652,426</u>	<u>22,105,414</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and two months (2017: one month and four months) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

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17. CREDITORS AND ACCRUED LIABILITIES

Creditors are non-interest-bearing and are normally settled on 60-day terms.

18. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Lease for these properties are negotiated for terms ranging from two to three years.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK\$	2017 HK\$
Within one year	2,799,600	2,673,333
In the second to fifth years, inclusive	<u>97,600</u>	<u>2,580,000</u>
	<u>2,897,200</u>	<u>5,253,333</u>

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period, including the comparative information as at 31 March 2017, are as follows:

Financial assets

At the end of the reporting period, the financial assets of the Group only included the category of loan and receivables, which are as follows:

	2018 HK\$	2017 HK\$
Accounts receivable	3,637,081	2,397,075
Financial assets included in prepayments, deposits and other receivables	1,989,820	1,509,548
Cash and bank balances	<u>23,652,426</u>	<u>22,105,414</u>
	<u>29,279,327</u>	<u>26,012,037</u>

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19. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

As at the end of the reporting period, the financial liabilities of the Group only included the category of financial liabilities at amortised cost, which are as follows:

	2018 HK\$	2017 HK\$
Financial liabilities included in creditors and accrued liabilities	<u>1,198,389</u>	<u>1,995,731</u>

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Council Members review and agree policies for managing the risks as below.

Credit risk

The credit risk of the Group's financial assets, which comprise accounts receivable, and deposits and other receivables, cash and bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group reviews the recoverable amounts of each financial assets regularly to ensure that adequate impairment losses are recognised for the irrecoverable balances.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was less than one year.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

The Group monitors capital using a current ratio, which is current assets divided by current liabilities. The Group's policy is to keep the current ratio above 1.

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21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	General Fund HK\$	Development Fund HK\$	2018 Total HK\$	General Fund HK\$	Development Fund HK\$	2017 Total HK\$
NON-CURRENT ASSETS						
Plant and equipment	1,539,229	-	1,539,229	1,587,695	-	1,587,695
Interests in subsidiaries	8	-	8	8	-	8
Total non-current assets	<u>1,539,237</u>	<u>-</u>	<u>1,539,237</u>	<u>1,587,703</u>	<u>-</u>	<u>1,587,703</u>
CURRENT ASSETS						
Amount due from a subsidiary	-	55,570	55,570	-	310,976	310,976
Accounts receivable	3,637,081	-	3,637,081	2,397,075	-	2,397,075
Prepayments, deposits and other receivables	5,387,273	245,981	5,633,254	4,296,652	228,164	4,524,816
Cash and bank balances	16,593,545	7,054,530	23,648,075	15,671,647	6,429,416	22,101,063
Total current assets	<u>25,617,899</u>	<u>7,356,081</u>	<u>32,973,980</u>	<u>22,365,374</u>	<u>6,968,556</u>	<u>29,333,930</u>
CURRENT LIABILITIES						
Creditors and accrued liabilities	12,718,903	476,567	13,195,470	13,586,228	378,737	13,964,965
NET CURRENT ASSETS	<u>12,898,996</u>	<u>6,879,514</u>	<u>19,778,510</u>	<u>8,779,146</u>	<u>6,589,819</u>	<u>15,368,965</u>
NET ASSETS	<u>14,438,233</u>	<u>6,879,514</u>	<u>21,317,747</u>	<u>10,366,849</u>	<u>6,589,819</u>	<u>16,956,668</u>

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NOTES TO FINANCIAL STATEMENTS

31 March 2018

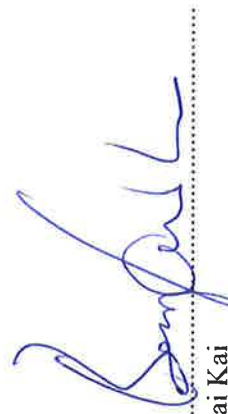
21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2018		2017	
	General Fund HK\$	Development Fund HK\$	General Fund HK\$	Development Fund HK\$
RESERVES (note)	14,438,233	6,879,514	10,366,849	6,589,819
		21,317,747		16,956,668
				2017 Total HK\$



Li Wai Keung
Chairman



Chan Wai Kai
Vice Chairman

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21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	General Fund HK\$	Development Fund HK\$	Total HK\$
At 1 April 2016	11,150,379	6,329,787	17,480,166
Surplus/(deficit) for the year	<u>(783,530)</u>	<u>260,032</u>	<u>(523,498)</u>
At 31 March 2017 and 1 April 2017	10,366,849	6,589,819	16,956,668
Surplus for the year	<u>4,071,384</u>	<u>289,695</u>	<u>4,361,079</u>
At 31 March 2018	<u>14,438,233</u>	<u>6,879,514</u>	<u>21,317,747</u>

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Council Members on 28 August 2018.

