

HONG KONG DANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Revenue Recognition

Revenues are recognized as follows :

- (a) Government subvention is recognized under the terms of agreement on an accrual basis.
- (b) Box office is recognized on an accrual basis.
- (c) Outreach and education activities fees and performance fees are recognized on an accrual basis in accordance with the terms and conditions of the services agreements.
- (d) Membership fees are recognized on cash receipt basis.
- (e) Donations are recognized on cash receipt basis.
- (f) Interest income is recognized on a time-proportion basis using the effective interest method.

2.4 Fixed Assets

Fixed assets are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalized when it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives at the rate of 100% per annum on straight-line basis.

When assets are sold or retired, their cost and aggregate depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

2.5 Impairment of Assets

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (Continued)2.5 Impairment of Assets (Continued)

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

2.6 Receivables

Receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

2.7 Payables

Payables are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.9 Development Fund

The development fund was used for non-subsented projects which fall outside the ambit of Government Subvention; the income and expenditure statement was separated from that for Government Subvention's financial statements and the sources for the fund was not come from the Government. The fund is to be used for matching any recurrent and non-recurrent financial commitments created by acceptance of donation for specific purpose.

HONG KONG DANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (Continued)

2.10 Employee Benefits

a) Pension obligations

The company pays contributions to a defined contribution retirement scheme under the Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong. The assets of the scheme are held in separate trustee-administrated funds. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Employee Leave Entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of the leave.

2.11 Operating Leases

Rental expenses under operating leases are charged to the income statement on a straight-line basis over the lease terms.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) INCOME

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
Government Subvention Received	27,270,000	27,270,000
Grant for Outbound Cultural Exchange	645,000	-
Box Office Income	2,616,354	1,732,237
Outreach and Education Activities Fees Received	2,353,495	1,876,811
Performance Fees Received	1,357,228	103,395
Donations Received	1,492,030	424,300
Bank Interest Income	232,580	339,644
Membership Fees Received	30,055	31,835
Miscellaneous Income	201,553	530,065
	<u>36,198,295</u>	<u>32,308,287</u>

4) (DEFICIT)/SURPLUS FOR THE YEAR

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
(Deficit)/Surplus for the year is stated after charging :		
Staff Costs		
- Salaries and Allowances	16,089,010	14,660,908
- Mandatory Provident Fund Contributions	574,362	520,186
Auditors' Remuneration	25,000	25,000
Depreciation on Fixed Assets	291,811	275,304
Rental Expenses of Properties under Operating Leases	2,028,000	1,560,000
	<u>2,028,000</u>	<u>1,560,000</u>

5) INCOME TAX

The Company is exempt from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance (2007 : Nil).

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS6) BOARD MEMBERS' REMUNERATION

No Board Member received, or will receive, any fees or emoluments (2007 : Nil) in respect of services to the Company during the year.

7) FIXED ASSETS

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Computer System</u>	<u>Stage and Technical Equipment</u>	<u>Total</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
At Cost					
At 1st April 2007	12,160	39,692	235,357	218,774	505,983
Additions	22,920	32,130	31,907	204,854	291,811
At 31st March 2008	35,080	71,822	267,264	423,628	797,794
Aggregate Depreciation					
At 1st April 2007	12,159	39,691	235,356	218,773	505,979
Charge for the year	22,920	32,130	31,907	204,854	291,811
At 31st March 2008	35,079	71,821	267,263	423,627	797,790
Net Book Value					
At 31st March 2008	1	1	1	1	4
At 31st March 2007	1	1	1	1	4

8) SHORT-TERM BANK DEPOSITS

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
General Fund	2,006,924	5,310,593
Development Fund	551,231	534,281
	<u>2,558,155</u>	<u>5,844,874</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS9) CASH AT BANK AND IN HAND

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
General Fund	1,705,151	2,850,231
Development Fund	<u>123,066</u>	<u>121,128</u>
	<u>1,828,217</u>	<u>2,971,359</u>

10) DEVELOPMENT FUND

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Bank Interest Income	<u>18,988</u>	<u>22,029</u>
	<u>18,988</u>	<u>22,029</u>
<u>Expenditure</u>		
Bank Charges	<u>100</u>	<u>-</u>
	<u>100</u>	<u>-</u>
Surplus for the year	18,888	22,029
Balance at beginning of the year	<u>655,409</u>	<u>633,380</u>
Balance at end of the year	<u>674,297</u>	<u>655,409</u>

The Development Fund was used for non-subsvented project which fall outside the ambit of Government Subvention; the income and expenditure account was separated from that for Government Subvention's accounts and the sources of the fund was not come from the Government.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS11) LEASE COMMITMENTS

At the balance sheet date, the Company has future aggregate minimum lease payables under non-cancellable leases falling due as follows:-

	<u>2008</u>	<u>2007</u>
	<u>HK\$</u>	<u>HK\$</u>
Within one year	2,028,000	2,028,000
After one year	<u>2,028,000</u>	<u>4,056,000</u>
	<u>4,056,000</u>	<u>6,084,000</u>

12) RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties of the Company during the year or at the balance sheet date.