



HONG KONG DANCE COMPANY LIMITED

(香港舞蹈團有限公司)

BOARD MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2011

林海涵會計師行
H. H. LAM & CO.

Chartered Accountants,
Certified Public Accountants
Hong Kong.

HONG KONG DANCE COMPANY LIMITED

REPORT OF THE BOARD MEMBERS

The board members have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March 2011.

Principal activities

The principal activities of the Company consist of taking all necessary steps to promote, maintain, improve and advance the interest of the public in Hong Kong and elsewhere in the development of dance, especially Chinese dance and various related forms of arts, whether educational, cultural, classical, modern or contemporary.

Results and appropriations

The results of the Company's operations for the year ended 31st March 2011 are set out in the statement of comprehensive income on pages 5.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Company are set out in note 6 to the financial statements.

Board members

The board members during the year were:

Mr. Wong Yuen Fai, Stanley,JP	
Dr. Shen Shir Ming	
Ms. Chan Wen Mee, May	
Mr. Fung Ying Wai, Wilson	
Mr. Cheng Shing Fung, Baldwin	
Ms. Fong Doris	
Mrs. Ma Lai Bik Lin, Jackie	
Mr. Ho Ho Chuen	
Mr. Sin Yuen	
Mr. Yeung Kwok Leung	
Ms. Lam Lit Kwan	(Appointed on 18th November 2010)
Mr. Tsang Chiu Jun, Justin	(Appointed on 18th November 2010)
Ms. Jane Curzon Lo	(Appointed on 18th November 2010)
Mr. Tseng Sun Man	(Retired on 18th November 2010)
Ms. Chung Wai Man, Sylvia	(Retired on 18th November 2010)
Mrs. Chan Lo Po Ling, Pauline	(Retired on 18th November 2010)

HONG KONG DANCE COMPANY LIMITED

REPORT OF THE BOARD MEMBERS (continued)

Board members (continued)

In accordance with Article 40 of the Company's Articles of Association, Dr. Shen Shir Ming, Ms. Chan Wen Mee, May, Mr. Cheng Shing Fung, Baldwin, Ms. Fong Doris, Mr. Ho Ho Chuen, Mr. Sin Yuen and Mr. Yeung Kwok Leung will retire by rotation at the forthcoming annual general meeting.

In accordance with Article 36 of the Company's Articles of Association, Mr. Wong Yuen Fai, Stanley, JP, Ms. Jane Curzon Lo and Mr. Tsang Chiu Jun, Justin being appointed by the Government will retire at the conclusion of the forthcoming annual general meeting. It was noted that the Government has confirmed that these retiring board members will hold office until the conclusion of the annual general meeting in 2012.

Board members' interests in contracts

No contracts of significance in relation to the Company's business to which the Company was a party and in which a board member of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

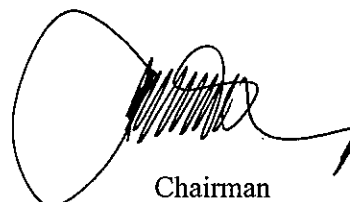
Management contracts

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

Auditors

The financial statements have been audited by H. H. Lam & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

Hong Kong, 21st July 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONG KONG DANCE COMPANY LIMITED

(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Hong Kong Dance Company Limited (the "company") set out on pages 5 to 18, which comprise the statement of financial position as at 31st March 2011, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board members' responsibility for the financial statements

The board members of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 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 the report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial statements.

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2011


	Note	2011			2010		
		General	Development	Total	General	Development	Total
		fund	fund		fund	fund	
		HK\$	HK\$	HK\$	HK\$	HK\$	
<u>INCOME</u>							
Government subvention		28,361,000	-	28,361,000	28,361,000	-	28,361,000
Supplementary subventions for							
venue partnership scheme	7	2,054,452	-	2,054,452	2,054,452	-	2,054,452
outbound cultural exchange	8	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Subvention from Leisure and Cultural							
Services Department		1,133,289	-	1,133,289	-	-	-
Sponsorship from Tsuen Wan District Council		736,692	-	736,692	-	-	-
Box office income		1,975,114	-	1,975,114	1,576,197	-	1,576,197
Outreach and education activities fees		2,240,022	-	2,240,022	1,640,597	-	1,640,597
Children Troupe membership and activities fees		1,571,800	-	1,571,800	1,214,900	-	1,214,900
Other performance fees		81,000	-	81,000	370,169	-	370,169
Donation and sponsorship		200,000	-	200,000	233,600	-	233,600
Bank interest income		3,260	512	3,772	993	173	1,166
Membership fees		29,800	-	29,800	57,385	-	57,385
Miscellaneous income		190,392	-	190,392	256,462	-	256,462
		<u>39,576,821</u>	<u>512</u>	<u>39,577,333</u>	<u>36,765,755</u>	<u>173</u>	<u>36,765,928</u>
<u>EXPENDITURE</u>							
Production costs		9,356,021	-	9,356,021	7,345,461	-	7,345,461
Staff costs		17,758,710	-	17,758,710	17,227,920	-	17,227,920
Marketing expenses		2,203,712	-	2,203,712	2,876,248	-	2,876,248
Outreach and education		2,997,081	-	2,997,081	1,975,505	-	1,975,505
Children Troupe		646,753	-	646,753	1,133,460	-	1,133,460
General overheads		5,095,532	-	5,095,532	5,457,885	-	5,457,885
		<u>(38,057,809)</u>	<u>-</u>	<u>(38,057,809)</u>	<u>(36,016,479)</u>	<u>-</u>	<u>(36,016,479)</u>
Surplus for the year	3	1,519,012	512	1,519,524	749,276	173	749,449
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		<u>1,519,012</u>	<u>512</u>	<u>1,519,524</u>	<u>749,276</u>	<u>173</u>	<u>749,449</u>


The annexed notes form an integral part of these financial statements.

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST MARCH 2011

	Note	2011			2010		
		General	Development	Total	General	Development	Total
		fund	fund	Total	fund	fund	Total
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<u>NON-CURRENT ASSETS</u>							
Property, plant and equipment	6	782,440	-	782,440	797,674	-	797,674
<u>CURRENT ASSETS</u>							
Accounts receivable	9	1,314,898	-	1,314,898	379,504	-	379,504
Deposits and prepayments	9	1,486,691	-	1,486,691	1,163,991	-	1,163,991
Cash and cash equivalents	10	5,980,714	678,062	6,658,776	6,814,313	677,550	7,491,863
		8,782,303	678,062	9,460,365	8,357,808	677,550	9,035,358
<u>CURRENT LIABILITIES</u>							
Accounts payable	11	1,730,245	-	1,730,245	2,665,513	-	2,665,513
Accruals	11	234,488	-	234,488	408,971	-	408,971
		(1,964,733)	-	(1,964,733)	(3,074,484)	-	(3,074,484)
Net current assets		6,817,570	678,062	7,495,632	5,283,324	677,550	5,960,874
Net assets		7,600,010	678,062	8,278,072	6,080,998	677,550	6,758,548
Represented by:							
<u>GENERAL FUND</u>		7,600,010	-	7,600,010	6,080,998	-	6,080,998
<u>DEVELOPMENT FUND</u>		-	678,062	678,062	-	677,550	677,550
		7,600,010	678,062	8,278,072	6,080,998	677,550	6,758,548

Approved and authorized for issue by the Board on 21st July 2011.


Wong Yuen Fai, Stanley, JP
Chairman


Fung Ying Wai, Wilson
Treasurer

The annexed notes form an integral part of these financial statements.

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2011

	General <u>fund</u> <u>HK\$</u>	Development <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance at 1st April 2009	5,331,722	677,377	6,009,099
Profit for the year	749,276	173	749,449
Other comprehensive income	-	-	-
Total comprehensive income for the year	749,276	173	749,449
Balance at 31st March 2010	<u>6,080,998</u>	<u>677,550</u>	<u>6,758,548</u>
Balance at 1st April 2010	6,080,998	677,550	6,758,548
Profit for the year	1,519,012	512	1,519,524
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,519,012	512	1,519,524
Balance at 31st March 2011	<u>7,600,010</u>	<u>678,062</u>	<u>8,278,072</u>

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2011

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
Surplus for the year	1,519,524	749,449
Adjustments for:		
Depreciation	385,741	293,113
Bank interest income	<u>(3,772)</u>	<u>(1,166)</u>
Surplus on operation before changes in working capital	1,901,493	1,041,396
(Increase) / Decrease in deposits and prepayments	(322,700)	20,139
(Increase) / Decrease in accounts receivable	(935,394)	226,766
(Decrease) / Increase in accounts payable	(935,268)	2,152,828
(Decrease) / Increase in accruals	<u>(174,483)</u>	<u>198,636</u>
Net cash (used in)/generated from operating activities	<u>(466,352)</u>	<u>3,639,765</u>
<u>INVESTING ACTIVITIES</u>		
Payment for purchase of property, plant and equipment	(370,507)	(845,789)
Bank interest received	<u>3,772</u>	<u>1,166</u>
Net cash (used in) investing activities	<u>(366,735)</u>	<u>(844,623)</u>
Net (decrease) / increase in cash and cash equivalents	(833,087)	2,795,142
Cash and cash equivalents at the beginning of the year	<u>7,491,863</u>	<u>4,696,721</u>
Cash and cash equivalents at the end of the year	<u><u>6,658,776</u></u>	<u><u>7,491,863</u></u>
 <u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Bank and cash balances	<u><u>6,658,776</u></u>	<u><u>7,491,863</u></u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS1) General information

The Company is limited by guarantee, such that under the provisions of the Company's memorandum of association, every member shall, in the event of the Company being wound up, contribute such amount which may be required to meet the liabilities of the Company but not exceeding HK\$100 per member.

The address of the registered office of the Company is 4th Floor, Sheung Wan Municipal Services Building, 345 Queen's Road Central, Hong Kong.

2) Principal accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2.3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention (except for certain non-current assets and financial instruments, which have been measured at fair value). All amounts are presented in Hong Kong dollars unless otherwise noted.

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs do not have a significant effect on the financial statements.

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) Principal accounting policies (Continued)

2.2 Basis of preparation (Continued)

- (i) Standards, amendments and interpretations which are effective on or after 1st April 2010.

The HKICPA has issued a number of amendments and interpretations to existing standards which are effective in the current year. These amendments and interpretations are not relevant to the Company and have no impact on the Company's financial statements.

- (ii) Standards, amendments and interpretations which are not yet effective

The following new and revised standards, which are relevant to the Company, have been published and are mandatory for accounting years of the Company beginning on or after 1st April 2011 or later years and have not been early adopted :

	Effective for accounting years beginning on or after
HKAS 24 (Revised) Related Party Disclosures	1st January 2011
HKFRS 9 Financial Instruments	1st January 2013

The Company has commenced an assessment of the impact of these standards but is not yet in a position to state whether these standards would have an impact on the results of operations and financial position of the Company.

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) Principal accounting policies (Continued)

2.3 Revenue recognition

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

- a) Government subvention is recognized at its fair value, where there is reasonable assurance that the subvention will be received and all attaching conditions will be complied with. When the subvention relates to an expense item, it is recognized as income over the periods necessary to match the subvention on a systematic basis to the costs that it is intended to compensate.
- b) Box office income is recognized on an accrual basis.
- c) Children Troupe activities fees and its membership fees are recognized on an accrual and cash receipt basis, respectively.
- d) Outreach and education activities fees and other performance fees are recognized under the terms and conditions of the service agreements on an accrual basis.
- e) Membership fees are recognized on a cash receipt basis.
- f) Donation and sponsorship are recognized on a cash receipt basis or in the period as specified by the donor.
- g) Bank interest income is recognized on a time-proportion basis using the effective interest method.

2.4 Property, plant and equipment

Property, plant and equipment 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 enterprise and the cost of the item can be measured reliably.

Depreciation is calculated to write off the property, plant and equipment to their residual value over their estimated useful lives on a straight-line basis. The residual values and useful lives are reviewed at each balance sheet date.

Furniture and fixtures	4 years
Office equipment	4 years
Computer equipment	4 years
Stage and technical equipment	4 years

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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) Principal accounting policies (Continued)

2.5 Impairment of assets

At each reporting 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.

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 statement of comprehensive income 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 Accounts receivable

Accounts receivable 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 receivable is stated at cost less impairment losses for bad and doubtful debts.

2.7 Accounts payable

Accounts payable are initially recognized at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in such 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 statement of cash flows.

2.9 Development fund

The development fund is used for non-subsvented projects which fall outside the ambit of government subvention. The income and expenditure relating to the fund are separated from those for government subvention. 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 LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) Principal accounting policies (Continued)

2.10 Employee benefits

a) 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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

b) 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.

c) Employees' leave entitlements

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

Employees' entitlements to sick and maternal leaves are not recognized until the time of the leaves.

2.11 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 company is the lessee, the rentals payable under operating leases are charged to the surplus or deficit on a straight line basis over the lease terms.

2.12 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) Surplus for the year

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Surplus for the year is arrived at after charging:		
Staff costs		
- salaries and allowances	16,088,741	16,607,645
- retirement benefit scheme	637,449	620,275
Auditors' remuneration	25,000	25,000
Depreciation	385,741	293,113
Rental expenses of properties under operating leases	1,716,000	1,825,200
	<u>16,852,891</u>	<u>18,378,233</u>

4) Board members' remuneration

No board member received, or will receive, any fees or emoluments (2010: Nil) in respect of services to the Company during the year.

5) Income tax

The Company is exempt from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance (2010: Nil).

6) Property, plant and equipment

	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</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 2009	80,157	84,342	308,622	651,337	1,124,458
Additions	328,788	162,690	272,386	81,925	845,789
At 31st March 2010	408,945	247,032	581,008	733,262	1,970,247
Additions	-	104,306	35,910	230,291	370,507
At 31st March 2011	408,945	351,338	616,918	963,553	2,340,754
Aggregate depreciation					
At 1st April 2009	(46,349)	(74,952)	(277,604)	(480,555)	(879,460)
Charge for the year	(93,467)	(43,802)	(78,435)	(77,409)	(293,113)
At 31st March 2010	(139,816)	(118,754)	(356,039)	(557,964)	(1,172,573)
Charge for the year	(93,466)	(69,880)	(87,414)	(134,981)	(385,741)
At 31st March 2011	(233,282)	(188,634)	(443,453)	(692,945)	(1,558,314)
Net Book Value					
At 31st March 2011	175,663	162,704	173,465	270,608	782,440
At 31st March 2010	269,129	128,278	224,969	175,298	797,674

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS7) Venue partnership scheme

Included in the statement of comprehensive income of the Company are the following items which are related to the venue partnership scheme.

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
<u>Income</u>		
Subvention from the government	2,054,452	2,054,452
Subvention from Leisure and Cultural Services Department ("LCSD")	133,289	-
Sponsorship from Tsuen Wan District Council	736,692	-
Box office income	124,444	86,529
Outreach and education activities fees	39,280	11,560
Children Troupe membership and activities fees	283,920	159,900
Other performance fees	3,000	2,500
Miscellaneous income	2,800	-
	<u>3,377,877</u>	<u>2,314,941</u>
<u>Expenditure</u>		
Production costs	1,428,451	871,094
Staff costs	467,366	294,808
Marketing expenses	355,850	636,946
Outreach and education	1,082,717	546,268
Children Troupe	185,806	312,016
General overheads	70,144	35,324
	<u>(3,590,334)</u>	<u>(2,696,456)</u>
Deficit for the year	<u>212,457</u>	<u>381,515</u>

8) Outbound cultural exchange

Included in the statement of comprehensive income of the Company are the following items which are related to the outbound cultural exchange.

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
<u>Income</u>		
Subvention from the government	1,000,000	1,000,000
Subvention from LCSD	1,000,000	-
Miscellaneous income	33,665	-
	<u>2,033,665</u>	<u>1,000,000</u>
<u>Expenditure</u>		
Production costs	1,867,519	-
Marketing expenses	50,261	-
	<u>(1,917,780)</u>	<u>-</u>
Surplus for the year	<u>115,885</u>	<u>1,000,000</u>

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9) Accounts receivable and deposits and prepayments

Accounts receivable are non-interest-bearing and the credit period is generally for a period of one to two months. The Company seeks to maintain strict control over its outstanding receivables and regularly reviews the overdue balances. In the opinion of the Company, accounts receivable relate to a number of independent customers for whom there is no recent history of default, there is no significant concentration of credit risk.

The carrying amounts of the Company's accounts receivable and deposits and prepayments approximate their fair values.

As at 31st March 2011, the Company's accounts receivable and deposits and prepayments were neither past due nor impaired (2010: Nil).

10) Cash and cash equivalents

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
Bank and cash balances	<u>6,658,776</u>	<u>7,491,863</u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on bank balances is 0.035% (2010: 0.01%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

11) Accounts payable and accruals

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

The carrying amounts of the Company's accounts payable and accruals approximate their fair values.

12) Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follow:

	<u>2011</u>	<u>2010</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	1,314,898	379,504
Cash and cash equivalents	<u>6,658,776</u>	<u>7,491,863</u>
	<u>7,973,674</u>	<u>7,871,367</u>
<u>Financial liabilities</u>		
Accounts payable	1,730,245	2,665,513
Financial liabilities included in accruals	<u>234,488</u>	<u>408,971</u>
	<u>1,964,733</u>	<u>3,074,484</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS13) Operating lease commitment

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

	<u>2011</u> <u>HK\$</u>	<u>2010</u> <u>HK\$</u>
Within a year	1,716,000	1,848,000
After one year but within five years	<u>1,716,000</u>	<u>3,432,000</u>
	<u>3,432,000</u>	<u>5,280,000</u>

14) Financial risk management - objectives and policies

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. Board members review and agree policies for managing the risk as below:

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The credit risk of the Company's financial assets, which comprise accounts receivable and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument. The Company reviews the recoverable amounts of financial assets regularly to ensure that adequate impairment losses are recognized for the irrecoverable balances. The Company has no significant concentration of credit risks in respect of accounts receivable. The Company's cash has been deposited with a reputable and creditworthy bank.

Liquidity risk

Liquidity risk is defined as the risk that funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient reserves of cash to meet its cash flow requirements.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31st March 2011 and 2010.

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS14) Financial risk management - objectives and policies (Continued)Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments-cash and cash equivalents. The analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole year. A 100 basis points increase or decrease in deposit rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's surplus for the year ended 31st March 2011 would increase / decrease by HK\$61,882 (2010: HK\$74,918).

15) Related party transactions

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

16) Contingent liability

The Company is a defendant in a legal action in relation to employee compensation claimed by an employee, who was injured during a performance on 17th November 2006. Taking insurance arrangement into account, the board members believe that no losses will be incurred by the Company.