

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 2014

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 2014.

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 2014 are set out in the statement of comprehensive income on page 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, SBS, JP	
Mr. Fung Ying Wai, Wilson	
Ms. Lam Lit Kwan	(appointed on 14th November 2013)
Mr. Chu Ho Kwan, Raphael	(appointed on 14th November 2013)
Mrs. Ma Lai Bik Lin, Jackie	
Mr. Ho Ho Chuen	
Mr. Sin Yuen	
Mr. Yeung Kwok Leung, Paul	
Mr. Tsang Chiu Jun, Justin	
Ms. Jane Curzon Lo	
Ms. Yau Siu Fee, JP	
Ms. Tung Siu Hung	(appointed on 14th November 2013)
Ms. Chan Jo Win, Joanne	(appointed on 14th November 2013)
Dr. Shen Shir Ming	(resigned on 14th November 2013)
Ms. Chan Wen Mee, May	(resigned on 14th November 2013)

HONG KONG DANCE COMPANY LIMITED
REPORT OF THE BOARD MEMBERS (continued)

Board members (continued)

In accordance with Article 39 of the Company's Articles of Association, Mr. Fung Ying Wai, Wilson, Mrs. Ma Lai Bik Lin, Jackie and Ms. Yau Siu Fee, JP 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, SBS, 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.

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.

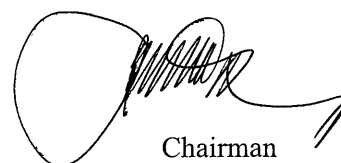
Management contracts

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., Chartered Accountants, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board


Chairman

Hong Kong, 25th September 2014

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2014

	<u>Note</u>	<u>2014</u>			<u>2013</u>		
		<u>General</u>	<u>Development</u>	<u>Total</u>	<u>General</u>	<u>Development</u>	<u>Total</u>
		<u>fund</u>	<u>fund</u>	<u>HK\$</u>	<u>fund</u>	<u>fund</u>	<u>HK\$</u>
		<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	
<u>INCOME</u>							
Government subvention		34,556,997	-	34,556,997	34,556,997	-	34,556,997
Grant from Leisure and Cultural Services Department		844,929	-	844,929	153,115	-	153,115
Box office income		2,798,976	-	2,798,976	1,662,794	-	1,662,794
Outreach and education activities fees		3,025,505	-	3,025,505	2,947,985	-	2,947,985
Children Troupe membership and activities fees		1,669,460	-	1,669,460	1,747,190	-	1,747,190
Other performance fees		536,030	-	536,030	344,000	-	344,000
Donation and sponsorship		295,000	-	295,000	2,805,600	100,000	2,905,600
Bank interest income		3,049	1,229	4,278	16,670	898	17,568
Membership fees		40,140	-	40,140	36,720	-	36,720
Miscellaneous income		184,697	-	184,697	265,458	-	265,458
		<u>43,954,783</u>	<u>1,229</u>	<u>43,956,012</u>	<u>44,536,529</u>	<u>100,898</u>	<u>44,637,427</u>
<u>EXPENDITURE</u>							
Production costs		11,274,276	-	11,274,276	12,903,848	-	12,903,848
Staff costs		19,902,036	-	19,902,036	19,983,709	-	19,983,709
Marketing expenses		3,400,529	-	3,400,529	3,048,080	-	3,048,080
Outreach and education		2,547,552	-	2,547,552	2,906,182	-	2,906,182
Children troupe		1,174,038	-	1,174,038	1,190,802	-	1,190,802
General overheads		6,795,981	-	6,795,981	5,858,520	-	5,858,520
		<u>45,094,412</u>	<u>-</u>	<u>45,094,412</u>	<u>45,891,141</u>	<u>-</u>	<u>45,891,141</u>
Deficit for the year	3	(1,139,629)	1,229	(1,138,400)	(1,354,612)	100,898	(1,253,714)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive expense for the year		<u>(1,139,629)</u>	<u>1,229</u>	<u>(1,138,400)</u>	<u>(1,354,612)</u>	<u>100,898</u>	<u>(1,253,714)</u>

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


HONG KONG DANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

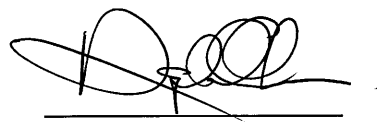
AS AT 31ST MARCH 2014

	Note	2014			2013		
		General	Development	Total	General	Development	Total
		fund HK\$	fund HK\$	Total HK\$	fund HK\$	fund HK\$	Total HK\$
NON-CURRENT ASSETS							
Property, plant and equipment	6	904,984	-	904,984	1,147,697	-	1,147,697
CURRENT ASSETS							
Accounts receivable	9	906,779	-	906,779	347,117	-	347,117
Deposits and prepayments	9	1,523,894	-	1,523,894	1,327,495	-	1,327,495
Cash and cash equivalents	10	4,343,671	780,241	5,123,912	5,617,783	779,012	6,396,795
		<u>6,774,344</u>	<u>780,241</u>	<u>7,554,585</u>	<u>7,292,395</u>	<u>779,012</u>	<u>8,071,407</u>
CURRENT LIABILITIES							
Accounts payable	11	1,369,494	-	1,369,494	1,099,084	-	1,099,084
Accruals	11	413,755	-	413,755	305,300	-	305,300
		<u>1,783,249</u>	<u>-</u>	<u>1,783,249</u>	<u>1,404,384</u>	<u>-</u>	<u>1,404,384</u>
Net current assets		<u>4,991,095</u>	<u>780,241</u>	<u>5,771,336</u>	<u>5,888,011</u>	<u>779,012</u>	<u>6,667,023</u>
Net assets		<u>5,896,079</u>	<u>780,241</u>	<u>6,676,320</u>	<u>7,035,708</u>	<u>779,012</u>	<u>7,814,720</u>
Represented by:							
GENERAL FUND		5,896,079	-	5,896,079	7,035,708	-	7,035,708
DEVELOPMENT FUND		-	780,241	780,241	-	779,012	779,012
		<u>5,896,079</u>	<u>780,241</u>	<u>6,676,320</u>	<u>7,035,708</u>	<u>779,012</u>	<u>7,814,720</u>

Approved and authorized for issue by the Board on 25th September 2014



Wong Yuen Fai, Stanley, SBS, JP
Chairman



Chu Ho Kwan, Raphael
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 2014

	General fund <u>HK\$</u>	Development fund <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance at 1st April 2012	8,390,320	678,114	9,068,434
Deficit for the year	(1,354,612)	100,898	(1,253,714)
Other comprehensive income	-	-	-
Total comprehensive expense for the year	<u>(1,354,612)</u>	<u>100,898</u>	<u>(1,253,714)</u>
Balance at 31st March 2013	<u>7,035,708</u>	<u>779,012</u>	<u>7,814,720</u>
Balance at 1st April 2013	7,035,708	779,012	7,814,720
Deficit for the year	(1,139,629)	1,229	(1,138,400)
Other comprehensive income	-	-	-
Total comprehensive expense for the year	<u>(1,139,629)</u>	<u>1,229</u>	<u>(1,138,400)</u>
Balance at 31st March 2014	<u>5,896,079</u>	<u>780,241</u>	<u>6,676,320</u>

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2014

	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
Deficit for the year	(1,138,400)	(1,253,714)
Adjustments for:		
Depreciation on property, plant and equipment	683,813	784,984
Provision for impairment of deposits	760,000	-
Bank interest income	(4,278)	(17,568)
	<u>301,135</u>	<u>(486,298)</u>
Surplus/(Deficit) on operation before changes in working capital	301,135	(486,298)
(Increase)/Decrease in deposits and prepayments	(956,399)	1,054,155
(Increase) in accounts receivable	(559,662)	(91,901)
Increase/(Decrease) in accounts payable	270,410	(1,317,803)
Increase/(Decrease) in accruals	108,455	(157,648)
	<u>108,455</u>	<u>(157,648)</u>
Net cash (used in) operating activities	<u>(836,061)</u>	<u>(999,495)</u>
<u>INVESTING ACTIVITIES</u>		
Payment for purchase of fixed assets	(441,100)	(372,990)
Bank interest received	4,278	17,568
	<u>4,278</u>	<u>17,568</u>
Net cash (used in) investing activities	<u>(436,822)</u>	<u>(355,422)</u>
Net (decrease) in cash and cash equivalents	(1,272,883)	(1,354,917)
Cash and cash equivalents at the beginning of the year	<u>6,396,795</u>	<u>7,751,712</u>
Cash and cash equivalents at the end of the year	<u>5,123,912</u>	<u>6,396,795</u>
<u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Bank and cash balances	<u>5,123,912</u>	<u>6,396,795</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 POLICIES2.1 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 of the financial statements

The financial statements have been prepared under the historical cost convention. 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 resources. 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.

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.3 Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company.

HKFRS 7 Amendments	Financial Instruments: Disclosures
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Presentation of Financial Statements
HKAS 19 (Revised 2011)	Employee Benefits

Annual Improvements to HKFRSs 2009-2011 Cycle:

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 32	Financial Instruments: Presentation

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Company for the current and prior accounting periods.

No early adoption of HKASs 27 (Amendment), 32 (Amendment), 36 (Amendment), 39 (Amendment), HKFRSs 7 (Amendment), 9, 9 (Amendment), 10 (Amendment), 12 (Amendment), 15 and HK(IFRIC) - Int 21 that have been issued but are not yet effective. The board members anticipate that the adoption of such Standards or Interpretations will not result in substantial changes to the Company's accounting policies.

2.4 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 accruals 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.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.4 Revenue recognition (continued)

- g) Bank interest income is recognized on a time-proportion basis using the effective interest method.
- h) Miscellaneous income is recognized on an accrual basis.

2.5 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 reporting 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.

2.6 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount.

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 surplus or deficit.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.7 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.

A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.

2.8 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.

2.9 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.

2.10 Development fund

The development fund is used for non-subsided 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)2.11 Employee benefitsa) 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.

2.12 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 income statement on a straight line basis over the lease terms.

2.13 Related parties

A related party is a person or entity that is related to the company in these financial statements, as follows:-

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.13 Related parties (continued)

(b) An entity is related to the company if any of the following conditions applies:

- (i) The entity and the company are members of the same company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has a significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) DEFICIT FOR THE YEAR

	<u>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>
Deficit for the year is arrived at after charging:		
Staff costs		
- salaries and allowances	18,477,552	18,562,928
- gratuities	649,619	668,823
- retirement benefit scheme	774,865	751,958
Auditors' remuneration	25,000	25,000
Depreciation on property, plant and equipment	683,813	784,984
Provision for impairment of deposit	760,000	-
Rental expenses of properties under operating leases	<u>2,388,000</u>	<u>1,716,000</u>

4) BOARD MEMBERS' REMUNERATION

No board member received, or will receive, any fees or emoluments (2013: Nil) in respect of his / her 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 (2013: Nil).

6) PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Computer system	Stage and technical equipment	Total
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
At cost					
At 1st April 2012	873,145	389,933	965,623	1,662,707	3,891,408
Additions	322,790	9,800	-	40,400	372,990
Write-off	(21,240)	(26,615)	(60,990)	(84,234)	(193,079)
At 31st March 2013	<u>1,174,695</u>	<u>373,118</u>	<u>904,633</u>	<u>1,618,873</u>	<u>4,071,319</u>
Additions	-	17,800	354,477	68,823	441,100
Write-off	(23,150)	(26,207)	(177,514)	(60,643)	(287,514)
At 31st March 2014	<u>1,151,545</u>	<u>364,711</u>	<u>1,081,596</u>	<u>1,627,053</u>	<u>4,224,905</u>
Aggregate depreciation					
At 1st April 2012	442,798	268,161	618,043	1,002,715	2,331,717
Charge for the year	278,944	78,848	164,250	262,942	784,984
Write-off	(21,240)	(26,615)	(60,990)	(84,234)	(193,079)
At 31st March 2013	<u>700,502</u>	<u>320,394</u>	<u>721,303</u>	<u>1,181,423</u>	<u>2,923,622</u>
Charge for the year	196,748	42,625	184,773	259,667	683,813
Write-off	(23,150)	(26,207)	(177,514)	(60,643)	(287,514)
At 31st March 2014	<u>874,100</u>	<u>336,812</u>	<u>728,562</u>	<u>1,380,447</u>	<u>3,319,921</u>
Net Book Value					
At 31st March 2014	<u>277,445</u>	<u>27,899</u>	<u>353,034</u>	<u>246,606</u>	<u>904,984</u>
At 31st March 2013	<u>474,193</u>	<u>52,724</u>	<u>183,330</u>	<u>437,450</u>	<u>1,147,697</u>

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>2014</u>	<u>2013</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Grant from Leisure and Cultural		
Services Department ("LCSD")	194,929	153,115
Box office income	506,502	188,675
Outreach and education activities fees	276,104	187,948
Children Troupe membership and activities fees	258,400	316,200
Miscellaneous income	153,410	18,760
	<u>1,389,345</u>	<u>864,698</u>
<u>Expenditure</u>		
Production costs	1,896,660	1,464,071
Staff costs	607,596	545,224
Marketing expenses	529,966	340,686
Outreach and education	521,689	412,565
Children Troupe	191,070	192,562
General overheads	39,840	59,566
	<u>3,786,821</u>	<u>3,014,674</u>
Deficit before Government subvention	<u>(2,397,476)</u>	<u>(2,149,976)</u>

The Company was appointed as a venue partner at the Tsuen Wan Town Hall.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS8) 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>2014</u> <u>HK\$</u>	<u>2013</u> <u>HK\$</u>
<u>Income</u>		
Donation and sponsorship	650,000	1,875,600
Box office income	214,418	-
Performance fees	379,500	-
	<u>1,243,918</u>	<u>1,875,600</u>
<u>Expenditure</u>		
Production costs	2,161,991	3,937,485
Marketing expenses	263,765	102,901
	<u>2,425,756</u>	<u>4,040,386</u>
Deficit before Government subvention	<u>(1,181,838)</u>	<u>(2,164,786)</u>

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 management 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 2014, the Company's accounts receivable was not past due nor impaired (2013: Nil).

As at 31st March 2014, the Company's deposits of HK\$760,000 (2013: Nil) were impaired which were related to a counter-party that was in financial difficulties. The movement in the provision for impairment during the year is as follows:

	<u>2014</u> <u>HK\$</u>	<u>2013</u> <u>HK\$</u>
As at 1st April	-	-
Provision made during the year	<u>760,000</u>	<u>-</u>
As at 31st March	<u>760,000</u>	<u>-</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS10) CASH AND CASH EQUIVALENTS

	<u>2014</u> <u>HK\$</u>	<u>2013</u> <u>HK\$</u>
Bank and cash balances	<u>5,123,912</u>	<u>6,396,795</u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on bank balances is 0.20% (2013: 0.13%) 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 reporting date are as follow:

	<u>2014</u> <u>HK\$</u>	<u>2013</u> <u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	906,779	347,117
Financial assets included in deposits	245,580	164,205
Cash and cash equivalents	<u>5,123,912</u>	<u>6,396,795</u>
	<u>6,276,271</u>	<u>6,908,117</u>
<u>Financial liabilities</u>		
Accounts payable	1,369,494	1,099,084
Financial liabilities included in accruals	<u>413,755</u>	<u>305,300</u>
	<u>1,783,249</u>	<u>1,404,384</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS13) OPERATING LEASE COMMITMENT

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

	<u>2014</u> <u>HK\$</u>	<u>2013</u> <u>HK\$</u>
Within a year	2,388,000	2,388,000
After one year but within five years	<u>2,388,000</u>	<u>4,776,000</u>
	<u>4,776,000</u>	<u>7,164,000</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, deposits 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 reputable and creditworthy banks.

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 2014 and 2013.

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 2014 would increase / decrease by HK\$48,422 (2013: HK\$48,015).

15) Related party transactions

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

