

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 2015

林海涵會計師行  
**H. H. LAM & CO.**

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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 2015.

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 2015 are set out in the statement of comprehensive income on page 8.

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

Mr. Chu Ho Kwan, Raphael

Mr. Ho Ho Chuen

Mr. Sin Yuen

Mr. Yeung Kwok Leung, Paul

Ms. Jane Curzon Lo

Ms. Yau Siu Fee, JP

Ms. Tung Siu Hung

Ms. Chan Jo Win, Joanne

Ms. Ng Han Bing Helen, MH

(appointed on 20th November 2014)

Mr. Yip Chun Nam Stephen, BBS, MH, JP

(appointed on 20th November 2014)

Mr. Tsang Kee Kung, MH

(appointed on 20th November 2014)

Mrs. Ma Lai Bik Lin, Jackie

(retired on 20th November 2014)

Mr. Tsang Chiu Jun, Justin

(resigned on 20th November 2014)

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. Wong Yuen Fai, Stanley, SBS, JP, Mr. Ho Ho Chuen, Mr. Sin Yuen and Mr. Yeung Kwok Leung, Paul will retire at the forthcoming Annual General Meeting. Ms. Lam Lit Kwan, Mr. Chu Ho Kwan, Raphael, Ms. Chan Jo Win, Joanne and Ms. Tung Siu Hung will retire by rotation at the forthcoming Annual General Meeting.

Board members' material interests in transactions, arrangements and contracts that are significant in relation to the company's business

No transactions, arrangements and 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.

Business review

Established in 1981 with the aim of promoting Chinese dance, the Hong Kong Dance Company was incorporated in 2001 as a charitable and non-profit-making institution, and is financially supported by the Government of the Hong Kong Special Administrative Region.

Every year, the Hong Kong Dance Company plans its season programmes and annual budget that are first assessed and approved by its Board before being presented at the Home Affairs Bureau's Sub-committee on the Funding for Performing Arts. Under the supervision of our Board, our financial operations are administered by our management team and related departments. Within six months after the end of a performance season, our Company files a comprehensive report to the Home Affairs Bureau in accordance with the Funding and Services Agreement between the Hong Kong Government and the Company.

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

Business review (continued)

The Hong Kong Dance Company is committed in its mission to engage the best of Chinese cultural traditions, combining them with the creative spirit of our time. We infuse our art with the unique character of Hong Kong, using the medium of Chinese dance to move the world. During the 2014/15 season, the Hong Kong Dance Company produced many high-quality and diverse dance programmes that were well-received by audiences, including multidisciplinary collaborations between local and overseas artists. We provided them with a platform to realize their creativity, arranging numerous opportunities and resources to nurture local artistic talent, fostering the development of the dance profession, reaching out to the community, promoting arts education in schools, bringing the art of dance to the masses, nurturing the next generation of audiences who are well-versed in arts appreciation. The Hong Kong Dance Company is dedicated to bringing Chinese dance imbued with Hong Kong characteristics to the world, at the same time actively promoting cultural exchange, fulfilling its role as Hong Kong's cultural ambassador.

Financial & performance highlights

In the 2014/15 season, the Hong Kong Dance Company's total income was \$48.0 million (2013/14 season: \$44.0 million), of which \$36.7 million (constituting 76.4%) was subvention from the Home Affairs Bureau (2013/14 season: \$34.6 million). Our operating income for the season was \$11.3 million (2013/14 season: \$9.4 million), of which our box office income increased by 20% to \$3.4 million (2013/14 season: \$2.8 million).

Our total operating expenditure for the season was \$44.1 million, a 2% decrease from last season's \$45.1 million, with a cost recovery rate of 25.7% (2013/14 season: 20.8%). Along with increased box-office revenues as well as effective financial management, we ended the season with a surplus rather than deficit. The surplus for our 2014/15 season was \$3.9 million (2013/14 season: \$1.1 million deficit).

During the 2014/15 season, the Hong Kong Dance Company mounted 13 major productions with an aggregate of 41 performances, attracting 24,435 audience members, at an average capacity of 82%. Our total number of outreach, community, educational and related activities numbered about 2,500 sessions, with a total of about 58,300 members of the public participated. We toured abroad and presented 9 performances before 24,300 audience members overseas.

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

Business review (continued)

Compliance with the relevant laws and regulations

The Hong Kong Dance Company is operated according to the law and regulations of the Hong Kong Special Administrative Region Government (while abroad, we also abide by the laws of foreign countries). Among our Board members are those with professional legal knowledge. We also engage an honorary legal adviser who is consulted when the needs arise.

The Company is committed to ensuring its operation and activities are conducted in an environmentally responsible manner. The Company acts consciously in observing environmental principles in minimizing waste and conserving energy. We co-operate with our commissioned designers to produce our costumes, props and sets in a reasonable and practicable measure to conserve resources and minimise the generation of waste.

During the 2014/15 season, there were no major legal issues concerning our Company.

Key relationships with stakeholders

The success of the Hong Kong Dance Company is dependent on support from its staff, the Government of the Special Administrative Region of Hong Kong, and audiences (our community and the public). The Company maintains transparency and good relationships with all of its stakeholders: the Government's funding body appoints a number of members to join the Company's Board to oversee operations; the Company establishes rules of conduct for its staff as well as administering labour contracts and abiding by the law in fulfilling its responsibilities as an employer; the Company provides all sorts of information via different communication channels to inform the public of our work; and we produce annual reports according to the requirements of the Hong Kong Government's Funding and Services Agreement that are available for the public to consult.

Principal risks and uncertainties

i) Business risk

The development of local economy exerts impacts on the Company's performance. Consumption in appreciation of performing arts is neither a primary expenditure nor necessity for most people. Any major economic downturn may have influence to the general public's spending preference and thus the Company's financial performance. On the other hand, as the major performing arts company in Hong Kong focusing on Chinese dance, there is less direct competition from other Chinese dance groups.

ii) Financial risk

Financial risks facing the Company are set out in note 14 to the financial statements.

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

Business review (continued)

Subsequent events

There is no particular important event occurred since the end of the financial year that may significantly affect the Company.

Future development

Looking ahead, the Company will continue to develop, to stay attune to the changing and improving market and audiences. These challenges give the Company energy, to work together for better and more outstanding results. With the support and guidance of the Board, the Company will continue to create Chinese dance with Hong Kong's artistic uniqueness, to promote dance to the community and to increase the public's interest in Chinese dance culture. As a flagship dance company of the city, the Company will bring the best of Hong Kong's dance to the international stage, to consolidate its image as Hong Kong's cultural ambassador.

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  
Mr. Wong Yuen Fai, Stanley,  
SBS, JP  
Hong Kong, 10th September 2015

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 8 to 23, which comprise the statement of financial position as at 31st March 2015, 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 405 of the Hong Kong Companies Ordinance (Cap. 622), 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 of the financial statements that give a true and fair view 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.

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

(Incorporated in Hong Kong with limited liability by guarantee)

Auditor's responsibility (continued)

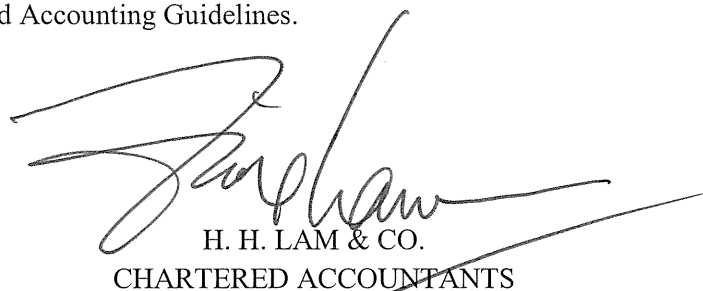
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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 the Accounting Standards and Accounting Guidelines.

  
H. H. LAM & CO.  
CHARTERED ACCOUNTANTS  
CERTIFIED PUBLIC ACCOUNTANTS

Hong Kong, 10th September 2015



HONG KONG DANCE COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2015

	<u>Note</u>	2015			2014		
		General	Development	Total	General	Development	Total
		<u>fund</u>	<u>fund</u>	<u>Total</u>	<u>fund</u>	<u>fund</u>	<u>Total</u>
		<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
<u>INCOME</u>							
Government subvention		36,696,997	-	36,696,997	34,556,997	-	34,556,997
Grant from Leisure and Cultural Services Department		289,735	-	289,735	844,929	-	844,929
Box office income		3,370,027	-	3,370,027	2,798,976	-	2,798,976
Outreach and education activities fees		4,338,511	-	4,338,511	3,025,505	-	3,025,505
Children Troupe membership and activities fees		1,848,500	-	1,848,500	1,669,460	-	1,669,460
Other performance fees		575,357	-	575,357	536,030	-	536,030
Donation and sponsorship		618,000	-	618,000	295,000	-	295,000
Bank interest income		1,772	1,231	3,003	3,049	1,229	4,278
Membership fees		51,240	-	51,240	40,140	-	40,140
Miscellaneous income		254,728	-	254,728	184,697	-	184,697
		<u>48,044,867</u>	<u>1,231</u>	<u>48,046,098</u>	<u>43,954,783</u>	<u>1,229</u>	<u>43,956,012</u>
<u>EXPENDITURE</u>							
Production costs		9,833,361	-	9,833,361	11,274,276	-	11,274,276
Staff costs		20,378,457	-	20,378,457	19,902,036	-	19,902,036
Marketing expenses		3,903,339	-	3,903,339	3,400,529	-	3,400,529
Outreach and education		2,688,243	-	2,688,243	2,547,552	-	2,547,552
Children troupe		1,028,398	-	1,028,398	1,174,038	-	1,174,038
General overheads		6,270,727	-	6,270,727	6,795,981	-	6,795,981
		<u>44,102,525</u>	<u>-</u>	<u>44,102,525</u>	<u>45,094,412</u>	<u>-</u>	<u>45,094,412</u>
Surplus/(Deficit) for the year	3	3,942,342	1,231	3,943,573	(1,139,629)	1,229	(1,138,400)
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income/(expense) for the year		<u>3,942,342</u>	<u>1,231</u>	<u>3,943,573</u>	<u>(1,139,629)</u>	<u>1,229</u>	<u>(1,138,400)</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 2015

Note	2015			2014			
	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	621,490	-	621,490	904,984	-	904,984
<u>CURRENT ASSETS</u>							
Accounts receivable	9	242,577	-	242,577	906,779	-	906,779
Deposits and prepayments	9	1,283,945	-	1,283,945	1,523,894	-	1,523,894
Cash and cash equivalents	10	10,788,897	781,472	11,570,369	4,343,671	780,241	5,123,912
		12,315,419	781,472	13,096,891	6,774,344	780,241	7,554,585
<u>CURRENT LIABILITIES</u>							
Accounts payable	11	2,676,217	-	2,676,217	1,369,494	-	1,369,494
Accruals	11	422,271	-	422,271	413,755	-	413,755
		3,098,488	-	3,098,488	1,783,249	-	1,783,249
Net current assets		9,216,931	781,472	9,998,403	4,991,095	780,241	5,771,336
Net assets		9,838,421	781,472	10,619,893	5,896,079	780,241	6,676,320
Represented by:							
<u>GENERAL FUND</u>		9,838,421	-	9,838,421	5,896,079	-	5,896,079
<u>DEVELOPMENT FUND</u>		-	781,472	781,472	-	780,241	780,241
		9,838,421	781,472	10,619,893	5,896,079	780,241	6,676,320

Approved and authorized for issue by the Board on 10th September 2015.

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Wong Yuen Fai, Stanley, SBS, JP  
Chairman

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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 2015

	General <u>fund</u> <u>HK\$</u>	Development <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</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>
Balance at 1st April 2014	5,896,079	780,241	6,676,320
Surplus for the year	3,942,342	1,231	3,943,573
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>3,942,342</u>	<u>1,231</u>	<u>3,943,573</u>
Balance at 31st March 2015	<u>9,838,421</u>	<u>781,472</u>	<u>10,619,893</u>

HONG KONG DANCE COMPANY LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST MARCH 2015

	<u>2015</u>	<u>2014</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
Surplus/(Deficit) for the year	3,943,573	(1,138,400)
Adjustments for:		
Depreciation on property, plant and equipment	693,750	683,813
Provision for impairment of deposits	-	760,000
Bank interest income	(3,003)	(4,278)
	4,634,320	301,135
Surplus on operation before changes in working capital	4,634,320	301,135
Decrease/(Increase) in deposits and prepayments	239,949	(956,399)
Decrease/(Increase) in accounts receivable	664,202	(559,662)
Increase in accounts payable	1,306,723	270,410
Increase in accruals	8,516	108,455
	6,853,710	(836,061)
Net cash generated from/(used in) operating activities	6,853,710	(836,061)
<u>INVESTING ACTIVITIES</u>		
Payment for purchase of fixed assets	(410,256)	(441,100)
Bank interest received	3,003	4,278
	(407,253)	(436,822)
Net cash (used in) investing activities	(407,253)	(436,822)
Net increase/(decrease) in cash and cash equivalents	6,446,457	(1,272,883)
Cash and cash equivalents at the beginning of the year	5,123,912	6,396,795
Cash and cash equivalents at the end of the year	11,570,369	5,123,912
 <u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Bank and cash balances	11,570,369	5,123,912

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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").

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 of Hong Kong Dance Company Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

HONG KONG DANCE COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the company.

HKAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 36	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

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.

(b) New and amended standards and interpretations not yet adopted

No early adoption of HKASs 1 (Amendment), 16 (Amendment), 27 (Amendment), 28 (Amendment), 38 (Amendment), HKFRSs 9, 10 (Amendment), 11 (Amendment), 12 (Amendment) and 15 (Amendment) that have been issued but are not yet effective. The board members of the Company anticipate that the adoption of such Standards or Interpretations will not result in substantial changes to the Company's accounting policies, or have a material impact on the Company's financial statements.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the financial statements.

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 basis.

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

- 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.
- 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 Company 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 LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Impairment of assets (continued)

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through surplus or deficit. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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 of bad and doubtful debts.

A provision for impairment of accounts 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-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)2.11 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 LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

2) 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 entity).

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 LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

3) SURPLUS/(DEFICIT) FOR THE YEAR

	<u>2015</u> <u>HK\$</u>	<u>2014</u> <u>HK\$</u>
Surplus/(Deficit) for the year is arrived at after charging:		
Auditors' remuneration		
- Audit services	25,000	25,000
- Non-audit services	-	-
Staff costs		
- salaries and allowances	18,912,996	18,477,552
- gratuities	631,327	649,619
- retirement benefit scheme	834,134	774,865
Depreciation on property, plant and equipment	693,750	683,813
Provision for impairment of deposit	-	760,000
Rental expenses of properties under operating leases	<u>2,388,000</u>	<u>2,388,000</u>

4) BOARD MEMBERS' REMUNERATION

No board member received, or will receive, any fees or emoluments (2014: 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 (2014: Nil).

6) PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and fixtures</u> <u>HK\$</u>	<u>Office equipment</u> <u>HK\$</u>	<u>Computer system</u> <u>HK\$</u>	<u>Stage and technical equipment</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
At cost					
At 1st April 2013	1,174,695	373,118	904,633	1,618,873	4,071,319
Additions	-	17,800	354,477	68,823	441,100
Write-off	<u>(23,150)</u>	<u>(26,207)</u>	<u>(177,514)</u>	<u>(60,643)</u>	<u>(287,514)</u>
At 31st March 2014	1,151,545	364,711	1,081,596	1,627,053	4,224,905
Additions	37,640	90,100	147,116	135,400	410,256
Write-off	<u>(54,555)</u>	<u>(44,832)</u>	<u>(172,094)</u>	<u>(122,091)</u>	<u>(393,572)</u>
At 31st March 2015	<u>1,134,630</u>	<u>409,979</u>	<u>1,056,618</u>	<u>1,640,362</u>	<u>4,241,589</u>
Aggregate depreciation					
At 1st April 2013	700,502	320,394	721,303	1,181,423	2,923,622
Charge for the year	196,748	42,625	184,773	259,667	683,813
Write-off	<u>(23,150)</u>	<u>(26,207)</u>	<u>(177,514)</u>	<u>(60,643)</u>	<u>(287,514)</u>
At 31st March 2014	874,100	336,812	728,562	1,380,447	3,319,921
Charge for the year	206,157	39,074	212,575	235,944	693,750
Write-off	<u>(54,555)</u>	<u>(44,832)</u>	<u>(172,094)</u>	<u>(122,091)</u>	<u>(393,572)</u>
At 31st March 2015	<u>1,025,702</u>	<u>331,054</u>	<u>769,043</u>	<u>1,494,300</u>	<u>3,620,099</u>
Net Book Value					
At 31st March 2015	<u>108,928</u>	<u>78,925</u>	<u>287,575</u>	<u>146,062</u>	<u>621,490</u>
At 31st March 2014	<u>277,445</u>	<u>27,899</u>	<u>353,034</u>	<u>246,606</u>	<u>904,984</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>2015</u> <u>HK\$</u>	<u>2014</u> <u>HK\$</u>
<u>Income</u>		
Grant from Leisure and Cultural Services Department ("LCSD")	289,735	194,929
Box office income	283,584	506,502
Outreach and education activities fees	420,982	276,104
Children Troupe membership and activities fees	284,200	258,400
Miscellaneous income	187,258	153,410
	<u>1,465,759</u>	<u>1,389,345</u>
<u>Expenditure</u>		
Production costs	1,283,725	1,896,660
Staff costs	725,636	607,596
Marketing expenses	407,628	529,966
Outreach and education	431,421	521,689
Children Troupe	169,645	191,070
General overheads	39,546	39,840
	<u>3,057,601</u>	<u>3,786,821</u>
Deficit before Government subvention	<u>(1,591,842)</u>	<u>(2,397,476)</u>

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

HONG KONG DANCE COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

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>2015</u> <u>HK\$</u>	<u>2014</u> <u>HK\$</u>
<u>Income</u>		
Donation and sponsorship	-	650,000
Box office income	-	214,418
Performance fees	375,657	379,500
	<u>375,657</u>	<u>1,243,918</u>
<u>Expenditure</u>		
Production costs	1,431,035	2,161,991
Marketing expenses	77,679	263,765
	<u>1,508,714</u>	<u>2,425,756</u>
Deficit before Government subvention	<u>(1,133,057)</u>	<u>(1,181,838)</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 2015, the Company's accounts receivable was not past due nor impaired (2014: Nil).

As at 31st March 2015, the Company's deposits of HK\$760,000 (2014: HK\$ 760,000) 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>2015</u> <u>HK\$</u>	<u>2014</u> <u>HK\$</u>
As at 1st April	760,000	-
Provision made during the year	-	760,000
As at 31st March	<u>760,000</u>	<u>760,000</u>

HONG KONG DANCE COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

10) CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
	<u>HK\$</u>	<u>HK\$</u>
Bank and cash balances	<u>11,570,369</u>	<u>5,123,912</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% (2014: 0.20%) 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>2015</u>	<u>2014</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	242,577	906,779
Financial assets included in deposits	212,186	245,580
Cash and cash equivalents	<u>11,570,369</u>	<u>5,123,912</u>
	<u>12,025,132</u>	<u>6,276,271</u>
<u>Financial liabilities</u>		
Accounts payable	2,676,217	1,369,494
Financial liabilities included in accruals	<u>422,271</u>	<u>413,755</u>
	<u>3,098,488</u>	<u>1,783,249</u>

HONG KONG DANCE COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

13) OPERATING LEASE COMMITMENT

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

	<u>2015</u> <u>HK\$</u>	<u>2014</u> <u>HK\$</u>
Within a year	2,388,000	2,388,000
After one year but within five years	-	2,388,000
	<u>2,388,000</u>	<u>4,776,000</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 2015 and 2014.

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)Capital management (continued)

As per the agreement entered with the Government, the Company may keep and carry forward a reserve of not more than 25% of the total expenditure as revealed in the audited annual financial statements for the subvention period to serve as a buffer against contingencies in the subsequent year and as an incentive to economise its spending in the year. Reserve means the surplus (if any) as revealed in the audited annual financial statements net of sponsorship, donations and income and expenditure of self-financing activities.

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 2015 would increase / decrease by HK\$100,216 (2014: HK\$48,422).

15) RELATED PARTY TRANSACTIONS

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