

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 2016

林海涵會計師行
H. H. LAM & CO.

Chartered Accountants,
Certified Public Accountants
Hong Kong.

HONG KONG DANCE COMPANY LIMITEDREPORT 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 2016.

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 2016 are set out in the statement of comprehensive income on page 8.

Board members

The board members during the year were:

Mr. Fung Ying Wai, Wilson	
Ms. Lam Lit Kwan	
Mr. Tsang Kee Kung, MH	
Mr. Chu Ho Kwan, Raphael	
Ms. Jane Curzon Lo	
Ms. Yau Siu Fee, JP	
Ms. Tung Siu Hung	
Ms. Chan Jo Win, Joanne	
Ms. Ng Han Bing, Helen, MH	
Mr. Yip Chun Nam Stephen, BBS, MH, JP	
Ms. Au Yeung Lai Ling, Ivy	(Appointed on 19th November 2015)
Mr. Jeckle Chiu	(Appointed on 19th November 2015)
Mr. Law Yiu Wai	(Appointed on 19th November 2015)
Mr. Lau Ting Kwok	(Appointed on 19th November 2015)
Mr. Wong Yuen Fai, Stanley, SBS, JP	(Resigned on 19th November 2015)
Mr. Ho Ho Chuen	(Resigned on 19th November 2015)
Mr. Sin Yuen	(Resigned on 19th November 2015)
Mr. Yeung Kwok Leung, Paul	(Resigned on 19th November 2015)

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, Ms. Yau Siu Fee, JP and Mr. Tsang Kee Kung, MH will retire by rotation at the forthcoming Annual General Meeting.

In accordance with Article 36 of the Company's Articles of Association, Ms. Jane Curzon Lo, Ms. Ng Han Bing, Helen, MH and Mr. Yip Chun Nam Stephen, BBS, MH, JP being appointed by the Government will retire at the conclusion of 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 2015/16 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 2015/16 season, the Hong Kong Dance Company's total income was \$48.9 million (2014/15 season: \$48.0 million), of which \$36.7 million (constituting 75%) was subvention from the Home Affairs Bureau (2014/15 season: \$36.7 million). Our operating income for the season was \$12.2 million (2014/15 season: \$11.3 million), of which our box office income was \$3.2 million (2014/15 season: \$3.4 million).

Our total operating expenditure for the season was \$43.5 million, a 1.3% decrease from last season's \$44.1 million, with a cost recovery rate of 28.1% (2014/15 season: 25.7%). Along with increased revenues as well as effective financial management, we ended the season with a surplus. The surplus for our 2015/16 season was \$5.4 million (2014/15 season: \$3.9 million), increased by 38.5% from the previous year.

During the 2015/16 season, the Hong Kong Dance Company mounted 11 major productions with an aggregate of 38 performances, attracting about 27,500 audience members, at an average capacity of 83%. Our total number of outreach, community, educational and related activities numbered about 2,680 sessions, with a total of about 58,000 members of the public participated. We toured abroad and presented 22 performances before about 14,400 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 seek legal advice from our honorary legal adviser and external legal professionals 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 2015/16 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. Fung Ying Wai, Wilson
Hong Kong, 14 SEP 2016

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 2016, 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 2016 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, 14th September 2016

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016

<u>Note</u>	<u>2016</u>			<u>2015</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>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	36,696,997	-	36,696,997	
Other grants	744,559	-	744,559	289,735	-	289,735	
Box office income	3,236,879	-	3,236,879	3,370,027	-	3,370,027	
Outreach and education activities fees	4,552,294	-	4,552,294	4,338,511	-	4,338,511	
Children Troupe membership and activities fees	2,238,000	-	2,238,000	1,848,500	-	1,848,500	
Other performance fees	692,450	-	692,450	575,357	-	575,357	
Donation and sponsorship	383,500	-	383,500	618,000	-	618,000	
Bank interest income	30,198	1,318	31,516	1,772	1,231	3,003	
Membership fees	48,330	-	48,330	51,240	-	51,240	
Miscellaneous income	300,523	-	300,523	254,728	-	254,728	
	<u>48,923,730</u>	<u>1,318</u>	<u>48,925,048</u>	<u>48,044,867</u>	<u>1,231</u>	<u>48,046,098</u>	
<u>EXPENDITURE</u>							
Production costs	8,297,041	-	8,297,041	9,833,361	-	9,833,361	
Staff costs	21,596,962	-	21,596,962	20,378,457	-	20,378,457	
Marketing expenses	3,520,770	-	3,520,770	3,903,339	-	3,903,339	
Outreach and education	2,922,146	-	2,922,146	2,688,243	-	2,688,243	
Children troupe	878,815	-	878,815	1,028,398	-	1,028,398	
General overheads	6,326,770	-	6,326,770	6,270,727	-	6,270,727	
	<u>43,542,504</u>	<u>-</u>	<u>43,542,504</u>	<u>44,102,525</u>	<u>-</u>	<u>44,102,525</u>	
Surplus for the year	3	5,381,226	1,318	5,382,544	3,942,342	1,231	3,943,573
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		<u>5,381,226</u>	<u>1,318</u>	<u>5,382,544</u>	<u>3,942,342</u>	<u>1,231</u>	<u>3,943,573</u>

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

HONG KONG DANCE COMPANY LIMITEDSTATEMENT OF FINANCIAL POSITIONAS AT 31ST MARCH 2016

Note	2016			2015			
	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>NON-CURRENT ASSETS</u>							
Property, plant and equipment	6	759,877	-	759,877	621,490	-	621,490
<u>CURRENT ASSETS</u>							
Accounts receivable	9	719,374	-	719,374	242,577	-	242,577
Deposits and prepayments	9	1,512,517	-	1,512,517	1,283,945	-	1,283,945
Cash and bank balances	10	15,561,440	782,790	16,344,230	10,788,897	781,472	11,570,369
		<u>17,793,331</u>	<u>782,790</u>	<u>18,576,121</u>	<u>12,315,419</u>	<u>781,472</u>	<u>13,096,891</u>
<u>CURRENT LIABILITIES</u>							
Accounts payable	11	1,950,265	-	1,950,265	2,676,217	-	2,676,217
Accruals	11	1,383,296	-	1,383,296	422,271	-	422,271
		<u>3,333,561</u>	<u>-</u>	<u>3,333,561</u>	<u>3,098,488</u>	<u>-</u>	<u>3,098,488</u>
Net current assets		<u>14,459,770</u>	<u>782,790</u>	<u>15,242,560</u>	<u>9,216,931</u>	<u>781,472</u>	<u>9,998,403</u>
Net assets		<u>15,219,647</u>	<u>782,790</u>	<u>16,002,437</u>	<u>9,838,421</u>	<u>781,472</u>	<u>10,619,893</u>
Represented by:							
<u>GENERAL FUND</u>		15,219,647	-	15,219,647	9,838,421	-	9,838,421
<u>DEVELOPMENT FUND</u>		-	782,790	782,790	-	781,472	781,472
		<u>15,219,647</u>	<u>782,790</u>	<u>16,002,437</u>	<u>9,838,421</u>	<u>781,472</u>	<u>10,619,893</u>

Approved and authorized for issue by the Board on 14 SEP 2016

Mr. Fung Ying Wai, Wilson
Chairman

Mr. 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 2016

	General <u>fund</u> <u>HK\$</u>	Development <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance at 31st March 2014	5,896,079	780,241	6,676,320
Surplus for the year	3,942,342	1,231	3,943,573
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive expense 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>
Balance at 1st April 2015	9,838,421	781,472	10,619,893
Surplus for the year	5,381,226	1,318	5,382,544
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>5,381,226</u>	<u>1,318</u>	<u>5,382,544</u>
Balance at 31st March 2016	<u>15,219,647</u>	<u>782,790</u>	<u>16,002,437</u>

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2016

	<u>2016</u>	<u>2015</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
Surplus for the year	5,382,544	3,943,573
Adjustments for:		
Depreciation on property, plant and equipment	454,244	693,750
Bank interest income	<u>(31,516)</u>	<u>(3,003)</u>
Surplus on operation before changes in working capital	5,805,272	4,634,320
(Increase)/Decrease in deposits and prepayments	(228,572)	239,949
(Increase)/Decrease in accounts receivable	(476,797)	664,202
(Decrease)/Increase in accounts payable	(725,952)	1,306,723
Increase in accruals	<u>961,025</u>	<u>8,516</u>
Net cash generated from operating activities	<u>5,334,976</u>	<u>6,853,710</u>
<u>INVESTING ACTIVITIES</u>		
Increase in bank deposits with maturities more than 3 months	(4,013,923)	-
Payment for purchase of property, plant and equipment	(592,631)	(410,256)
Bank interest received	<u>31,516</u>	<u>3,003</u>
Net cash used in investing activities	<u>(4,575,038)</u>	<u>(407,253)</u>
Net increase in cash and cash equivalents	759,938	6,446,457
Cash and cash equivalents at the beginning of the year	<u>11,570,369</u>	<u>5,123,912</u>
Cash and cash equivalents at the end of the year	<u>12,330,307</u>	<u>11,570,369</u>
 <u>ANALYSIS OF CASH AND BANK BALANCES</u>		
Cash and cash equivalents	12,330,307	11,570,369
Bank deposits with maturities more than 3 months	<u>4,013,923</u>	<u>-</u>
10	<u>16,344,230</u>	<u>11,570,369</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

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. These financial statements are presented in Hong Kong dollars ("HK\$") except when otherwise indicated.

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 accounting principles generally accepted in Hong Kong and the applicable requirements of the Hong Kong Companies Ordinance (Cap 622).

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 LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.3 Changes in accounting policies and disclosures

(a) New and amended standards effective for the year ended 31st March 2016

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

HKAS 19 (2011) Employee Benefits Amendments	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle:	
HKAS 16 Property, Plant and Equipment	Revaluation method - proportionate restatement of accumulated depreciation
Annual Improvements 2011-2013 Cycle:	
HKFRS 13 Fair Value Measurement	Scope of paragraph 52 (portfolio exception)

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

(b) New standards and interpretations not yet effective

No early adoption of HKASs 1 (Amendment), 16 (Amendment), 27 (Amendment), 28 (Amendment), 38 (Amendment), 41 (Amendment), HKFRSs 9, 10 (Amendment), 11 (Amendment), 12 (Amendment) and 14, 15, 16 and Annual Improvements 2012-2014 Cycle that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such Standards or Interpretations will not result in substantial changes to the Company's accounting policies.

The Directors do not anticipate that the application of the other new and revised HKFRSs will have a material effect on the amounts recognised in the Company's financial statements.

2.4 Revenue recognition

Revenues are recognized as follows:

- 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.
- Box office income is recognized on an accrual basis.
- 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 accumulated depreciation and accumulated 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)2.6 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-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 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.11 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 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 LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) SURPLUS FOR THE YEAR

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Surplus for the year is arrived at after charging:		
Auditors' remuneration		
- Audit services	25,000	25,000
- Non-audit services	-	-
Staff costs		
- salaries and allowances	20,215,426	18,912,996
- gratuities	534,575	631,327
- retirement benefit scheme	846,961	834,134
Depreciation on property, plant and equipment	454,244	693,750
Rental expenses of properties under operating leases	2,581,140	2,572,800
Venue rental	<u>2,154,906</u>	<u>2,322,973</u>

4) BOARD MEMBERS' REMUNERATION

No board member received, or will receive, any fees or emoluments (2015: 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 (2015: 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 2014	1,151,545	364,711	1,081,596	1,627,053	4,224,905
Additions	37,640.00	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	1,134,630	409,979	1,056,618	1,640,362	4,241,589
Additions	123,089	12,657	22,645	434,240	592,631
Write-off	<u>-</u>	<u>-</u>	<u>(30,288)</u>	<u>-</u>	<u>(30,288)</u>
At 31st March 2016	<u>1,257,719</u>	<u>422,636</u>	<u>1,048,975</u>	<u>2,074,602</u>	<u>4,803,932</u>
Aggregate depreciation					
At 1st April 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	1,025,702	331,054	769,043	1,494,300	3,620,099
Charge for the year	120,880	32,589	131,059	169,716	454,244
Write-off	<u>-</u>	<u>-</u>	<u>(30,288)</u>	<u>-</u>	<u>(30,288)</u>
At 31st March 2016	<u>1,146,582</u>	<u>363,643</u>	<u>869,814</u>	<u>1,664,016</u>	<u>4,044,055</u>
Net Book Value					
At 31st March 2016	<u>111,137</u>	<u>58,993</u>	<u>179,161</u>	<u>410,586</u>	<u>759,877</u>
At 31st March 2015	<u>108,928</u>	<u>78,925</u>	<u>287,575</u>	<u>146,062</u>	<u>621,490</u>

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7) 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>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
<u>Income</u>		
Other grants	301,009	289,735
Box office income	112,308	283,584
Outreach and education activities fees	433,248	420,982
Children troupe membership and activities fees	342,000	284,200
Miscellaneous income	194,120	187,258
	<u>1,382,685</u>	<u>1,465,759</u>
<u>Expenditure</u>		
Production costs	995,673	1,283,725
Staff costs	709,460	725,636
Marketing expenses	140,515	407,628
Outreach and education	485,988	431,421
Children troupe	180,191	169,645
General overheads	24,466	39,546
	<u>2,536,293</u>	<u>3,057,601</u>
Deficit before Government subvention	<u>(1,153,608)</u>	<u>(1,591,842)</u>

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

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>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
<u>Income</u>		
Other grants	300,000	-
Performance fees	-	375,657
	<u>300,000</u>	<u>375,657</u>
<u>Expenditure</u>		
Production costs	478,050	1,431,035
Marketing expenses	22,270	77,679
	<u>500,320</u>	<u>1,508,714</u>
Deficit before Government subvention	<u>(200,320)</u>	<u>(1,133,057)</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 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 2016, the Company's accounts receivable was not past due nor impaired (2015: Nil).

As at 31st March 2016, the Company's deposits of HK\$Nil (2015: 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>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
As at 1st April	760,000	760,000
Less: Write off of the balance	<u>(760,000)</u>	<u>-</u>
As at 31st March	<u><u>-</u></u>	<u><u>760,000</u></u>

10) CASH AND BANK BALANCES

	<u>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Time deposits with banks		
Maturities of 3 months or less	4,613,705	604,295
Maturities of more than 3 months	<u>4,013,923</u>	<u>-</u>
	8,627,628	604,295
Cash at banks and in hand	<u>7,716,602</u>	<u>10,966,074</u>
	<u><u>16,344,230</u></u>	<u><u>11,570,369</u></u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on bank balances is 0.01% - 0.85% (2015: 0.01% - 0.20%) per annum. These deposits have an average duration of maturity ranged from 1 month to 6 months (2015: 1 month).

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	719,374	242,577
Financial assets included in deposits	175,550	212,186
Cash and cash equivalents	<u>16,344,230</u>	<u>11,570,369</u>
	<u>17,239,154</u>	<u>12,025,132</u>
<u>Financial liabilities</u>		
Accounts payable	1,950,265	2,676,217
Financial liabilities included in accruals	<u>1,383,296</u>	<u>422,271</u>
	<u>3,333,561</u>	<u>3,098,488</u>

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>2016</u> <u>HK\$</u>	<u>2015</u> <u>HK\$</u>
Within a year	3,097,140	2,388,000
After one year but within five years	<u>5,808,000</u>	<u>-</u>
	<u>8,905,140</u>	<u>2,388,000</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS14) 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 2016 and 2015.

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.

As per the agreement entered with the Government, the Company may keep and carry forward a reserve after deducting the accumulated donation and sponsorship income 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.

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 2016 would increase / decrease by HK\$159,995 (2015: HK\$100,216).

15) RELATED PARTY TRANSACTIONS

Significant related party transactions with the Government entered into by the Company are set out as follows.

Pursuant to the mutual agreement during the year made between the Company and Home Arrairs Bureau ("HAB") of the Government, HAB paid to the Company, in accordance with the terms of the Agreement, an annual subvention of HK\$36,696,997 for the year ended 31st March 2016 (2015 : HK\$36,696,997).

Pursuant to the mutual agreement during the year made between the Company and Leisure and Cultural Services Department ("LCSD") of the Government, LCSD paid to the Company, in accordance with the terms of the Agreement for supporting Trainee Programme of Venue Partnership Scheme, a grant of HK\$301,009 for the year ended 31st March 2016 (2015 : HK\$289,735).

Pursuant to the mutual agreement during the year made between the Company and Hong Kong Economic & Trade Office ("HKETO") of the Government, HKETO paid to the Company, in accordance with the terms of the Agreement in connection with the Sydney Tour performance, a sponsorship of HK\$300,000 for the year ended 31st March 2016 (2015 : Nil).

Pursuant to the mutual agreement during the year made between the Company and the Government, the Company agreed to pay the Government, in accordance with the terms of the Agreement, premises rental and venue rental in total of HK\$4,542,906 for the year ended 31st March 2016 (2015 : HK\$4,710,973).

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