

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 2019

林海涵、林靄欣 會計師事務所有限公司
林靄文

H. H. LAM & CO. CPA Limited

Chartered Accountants,
Certified Public Accountants
Hong Kong.

HONG KONG DANCE COMPANY LIMITED
REPORT OF THE BOARD MEMBERS

The board members submit their report together with the audited financial statements for the year ended 31st March 2019.

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 2019 are set out in the statement of comprehensive income on page 9.

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. Fung Ying Wai, Wilson	
Ms. Lam Lit Kwan	
Mr. Tsang Kee Kung, MH	
Mr. Chu Ho Kwan, Raphael	
Ms. Tung Siu Hung	
Ms. Chan Jo Win, Joanne	
Ms. Ng Han Bing, Helen, MH	
Ms. Au Yeung Lai Ling, Ivy	
Mr. Jeckle Chiu	
Mr. Law Yiu Wai	
Mr. Lau Ting Kwok	
Mr. Law Sai Hung	
Ms. Lu Hai, Helen, MH, JP	(Appointed on 14th November 2018)
Mr. Tsang Lap Ki, Richard	(Appointed on 14th November 2018)
Ms. Yau Siu Fee, JP	(Retired on 14th November 2018)
Mr. Yip Chun Nam Stephen, BBS, MH, JP	(Retired on 14th November 2018)

In accordance with Article 39 of the Company's Articles of Association, Ms. Lam Lit Kwan, Mr. Chu Ho Kwan, Raphael, Ms. Tung Siu Hung and Ms. Chan Jo Win, Joanne will retire at the forthcoming Annual General Meeting. Ms. Au Yeung Lai Ling, Ivy, Mr. Jeckle Chiu, Mr. Law Yiu Wai and Mr. Lau Ting Kwok will retire by rotation but are eligible for re-election at the forthcoming Annual General Meeting.

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

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 Subcommittee 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.

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 2018/19 season, the Hong Kong Dance Company continued to produce many high-quality and diverse dance programmes that were well-received by audiences, including multidisciplinary collaborations between local and overseas artists. We provided these artists with a platform to realize their creativity, offer numerous opportunities and resources to nurture local artistic talent, foster the development of the dance profession, reach out to the community, promote arts education in schools, bring the art of dance to the masses, and nurture 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 2018/19 season, the Hong Kong Dance Company's total income was \$59.20 million (2017/18 season: \$50.83 million), of which \$42.64 million (constituting 72%) were subventions received from the Home Affairs Bureau (2017/18 season: \$36.73 million). Our operating income for the season was \$16.56 million (2017/18 season: \$14.10 million), of which our box office income increased by 4.8% to \$3.34 million (2017/18 season: \$3.19 million).

Our total operating expenditure for the season was \$55.82 million, a 11.3% increase from last season's \$50.16 million, with a cost recovery rate of 30% (2017/18 season: 28%). Along with increased Government subvention and higher earned income as well as effective financial management, we ended the season with a surplus of \$3.38 million (2017/18 season: \$0.67 million).

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

Business review (continued)

Financial & performance highlights (continued)

During the 2018/19 season, the Hong Kong Dance Company mounted 12 major productions with an aggregate of 48 performances, attracting about 25,050 audience members, at an average capacity of 80% (2017/18 season: 12 major productions, 45 performances, 26,810 audience, average capacity 91%). Our total number of outreach, community, educational and related activities numbered about 3,620 sessions, with a total of about 74,560 members of the public participated (2017/18 season: 2,800 sessions, 71,400 participants). We toured abroad and presented 16 performances overseas with about 25,060 audience attended (2017/18 season: 11 performances, 10,760 audience).

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 (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 2018/19 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 three 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.

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

Business review (continued)

Principal risks and uncertainties (continued)

ii) Financial risk

Financial risks facing the Company are set out in note 17 to the financial statements.

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., CPA Limited 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, 18th September 2019



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

(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the financial statements of Hong Kong Dance Company Limited (the "Company") set out on pages 9 to 32, which comprise the statement of financial position as at 31st March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2019 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other matters under the Agreement made on 29th March 2018 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.



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

(continued)

(Incorporated in Hong Kong with limited liability by guarantee)

Report on other matters under the Agreement Letter for the Art Development Matching Grants Pilot Scheme made on 22nd January 2019 between the Government of the Hong Kong Special Administrative Region and the Company (the "Agreement letter")

We report that the Company has complied with, in all material respects, including the terms and conditions for matching the donation/sponsorship in accordance with the Guide and the Agreement Letter, 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 Letter and other relevant documents such as the Accounting Standards and Accounting Guidelines.

Other information

The board members are responsible for the other information. The other information comprises the information included in the board members' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of board members and those charged with governance for the financial statements

The board members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the board members are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



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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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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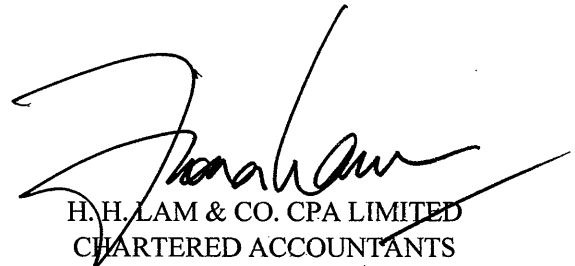
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONG KONG DANCE COMPANY LIMITED (continued)

(Incorporated in Hong Kong with limited liability by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



H. H. LAM & CO. CPA LIMITED
CHARTERED ACCOUNTANTS
CERTIFIED PUBLIC ACCOUNTANTS
Hong Kong, 18th September 2019
Fiona, O. Y. LAM
Practicing Certificate Number P04512

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019

Note	2019			2018			
	General	Development	Total	General	Development	Total	
	<u>fund</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>	
<u>INCOME</u>							
Government subvention							
- Recurrent	41,137,702	-	41,137,702	36,696,997	-	36,696,997	
- Contestable fund pilot scheme	712,052	-	712,052	28,594	-	28,594	
- Matching Grant	792,447	-	792,447	-	-	-	
Other grants	1,597,574	-	1,597,574	1,022,787	-	1,022,787	
Box office income	3,337,424	-	3,337,424	3,185,152	-	3,185,152	
Outreach and education activities fees	5,284,976	-	5,284,976	3,778,519	-	3,778,519	
Children Troupe membership and activities fees	3,617,580	-	3,617,580	2,939,630	-	2,939,630	
Other performance fees	792,280	-	792,280	1,651,934	-	1,651,934	
Donation and sponsorship	1,465,640	19,120	1,484,760	984,880	146,000	1,130,880	
Bond interest income	85,694	-	85,694	85,791	-	85,791	
Bank interest income	169,738	2,712	172,450	45,206	2,469	47,675	
Membership fees	36,300	-	36,300	56,220	-	56,220	
Miscellaneous income	147,195	-	147,195	201,010	-	201,010	
	<u>59,176,602</u>	<u>21,832</u>	<u>59,198,434</u>	<u>50,676,720</u>	<u>148,469</u>	<u>50,825,189</u>	
<u>EXPENDITURE</u>							
Production costs	12,713,054	-	12,713,054	11,134,736	-	11,134,736	
Staff costs	25,992,660	-	25,992,660	23,226,541	-	23,226,541	
Marketing expenses	4,709,946	-	4,709,946	5,007,365	-	5,007,365	
Outreach and education	3,288,141	-	3,288,141	2,320,666	-	2,320,666	
Children troupe	1,559,517	-	1,559,517	1,228,386	-	1,228,386	
General overheads	7,554,792	-	7,554,792	7,241,501	40	7,241,541	
	<u>55,818,110</u>	<u>-</u>	<u>55,818,110</u>	<u>50,159,195</u>	<u>40</u>	<u>50,159,235</u>	
Surplus for the year	3	3,358,492	21,832	3,380,324	517,525	148,429	665,954
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		<u>3,358,492</u>	<u>21,832</u>	<u>3,380,324</u>	<u>517,525</u>	<u>148,429</u>	<u>665,954</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 2019

	Note	2019			2018		
		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	601,121	-	601,121	1,007,726	-	1,007,726
Other financial assets	9	3,166,519	-	3,166,519	3,170,168	-	3,170,168
		<u>3,767,640</u>	<u>-</u>	<u>3,767,640</u>	<u>4,177,894</u>	<u>-</u>	<u>4,177,894</u>
CURRENT ASSETS							
Accounts receivable	10	1,357,973	-	1,357,973	972,117	-	972,117
Deposits and prepayments	10	2,911,611	-	2,911,611	1,610,137	-	1,610,137
Cash and bank balances	11	20,299,237	1,023,948	21,323,185	16,127,633	1,002,116	17,129,749
		<u>24,568,821</u>	<u>1,023,948</u>	<u>25,592,769</u>	<u>18,709,887</u>	<u>1,002,116</u>	<u>19,712,003</u>
CURRENT LIABILITIES							
Accounts payable	12	622,986	-	622,986	1,428,611	-	1,428,611
Accruals	12	1,709,834	-	1,709,834	509,858	-	509,858
Contract liabilities	14	5,675,809	-	5,675,809	-	-	-
Subvention and others received in advance	13	-	-	-	3,979,972	-	3,979,972
		<u>8,008,629</u>	<u>-</u>	<u>8,008,629</u>	<u>5,918,441</u>	<u>-</u>	<u>5,918,441</u>
Net current assets		<u>16,560,192</u>	<u>1,023,948</u>	<u>17,584,140</u>	<u>12,791,446</u>	<u>1,002,116</u>	<u>13,793,562</u>
Net assets		<u>20,327,832</u>	<u>1,023,948</u>	<u>21,351,780</u>	<u>16,969,340</u>	<u>1,002,116</u>	<u>17,971,456</u>
Represented by:							
GENERAL FUND		20,327,832	-	20,327,832	16,969,340	-	16,969,340
DEVELOPMENT FUND		-	1,023,948	1,023,948	-	1,002,116	1,002,116
		<u>20,327,832</u>	<u>1,023,948</u>	<u>21,351,780</u>	<u>16,969,340</u>	<u>1,002,116</u>	<u>17,971,456</u>

Approved and authorized for issue by the Board on 18th September 2019.

Mr. Fung Ying Wai, Wilson
Chairman

Mr. Chu Ho Kwan, Raphael
Treasurer

The Company has initially applied HKFRS 15 at 1st April 2018. Under the transition methods chosen, comparative information is not restated.

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 2019

	General <u>fund</u> <u>HK\$</u>	Development <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance at 1st April 2017	16,451,815	853,687	17,305,502
Surplus for the year	517,525	148,429	665,954
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>517,525</u>	<u>148,429</u>	<u>665,954</u>
Balance at 31st March 2018	<u>16,969,340</u>	<u>1,002,116</u>	<u>17,971,456</u>
Balance at 1st April 2018	16,969,340	1,002,116	17,971,456
Surplus for the year	3,358,492	21,832	3,380,324
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>3,358,492</u>	<u>21,832</u>	<u>3,380,324</u>
Balance at 31st March 2019	<u>20,327,832</u>	<u>1,023,948</u>	<u>21,351,780</u>

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019

	<u>Note</u>	<u>2019</u> <u>HK\$</u>	<u>2018</u> <u>HK\$</u>
<u>OPERATING ACTIVITIES</u>			
Surplus for the year		3,380,324	665,954
Adjustments for:			
Depreciation on property, plant and equipment		488,383	570,502
Bond interest income		(85,694)	(85,791)
Bank interest income		(172,450)	(47,675)
		<u>3,610,563</u>	<u>1,102,990</u>
Surplus on operation before changes in working capital		3,610,563	1,102,990
Amortization of discount on held-to-maturity		3,649	3,553
(Increase)/Decrease in deposits and prepayments		(1,301,474)	587,655
(Increase)/Decrease in accounts receivable		(385,856)	489,819
(Decrease)/Increase in accounts payable		(805,625)	889,903
Increase/(Decrease) in accruals		1,199,976	(363,099)
Increase in contract liabilities		5,675,809	-
Increase in subvention and others received in advance		(3,979,972)	2,442,610
		<u>4,017,070</u>	<u>5,153,431</u>
Net cash generated from operating activities		4,017,070	5,153,431
<u>INVESTING ACTIVITIES</u>			
(Increase) in bank deposits with maturities more than 3 months		(9,174,675)	-
Payment for purchase of property, plant and equipment		(81,778)	(880,035)
Bond interest received		85,694	85,791
Bank interest received		172,450	47,675
		<u>(8,998,309)</u>	<u>(746,569)</u>
Net cash (used in) investing activities		(8,998,309)	(746,569)
Net (decrease)/increase in cash and cash equivalents		(4,981,239)	4,406,862
Cash and cash equivalents at the beginning of the year		17,129,749	12,722,887
Cash and cash equivalents at the end of the year		<u>12,148,510</u>	<u>17,129,749</u>
<u>ANALYSIS OF CASH AND BANK BALANCES</u>			
Cash at banks and in hand		8,536,278	8,432,339
Bank deposits with maturities of 3 months or less		3,612,232	8,697,410
		<u>12,148,510</u>	<u>17,129,749</u>
Cash and cash equivalents		12,148,510	17,129,749
Bank deposits with maturities more than 3 months		9,174,675	-
Cash and bank balances	11	<u>21,323,185</u>	<u>17,129,749</u>

The Company has initially applied HKFRS 15 at 1st April 2018. Under the transition methods chosen, comparative information is not restated.

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

NOTES TO THE FINANCIAL STATEMENTS

1) 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 its registered office 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. The 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"), accounting principles generally accepted in Hong Kong and the applicable requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

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 on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

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:

- Amendments to HKFRS 9 - Financial instruments
- Amendments to HKFRS 15 - Revenue from contracts with customers
- Amendments to HK(IFRIC) 22 - Foreign currency transactions and advance consideration

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

HKFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HK(IFRIC) 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The application of the amendments in the current year has had no material impact on the Company's financial performance and positions for the current and prior years.

(B) New standards and interpretations not yet effective

No early adoption of HKASs 19 (Amendments), 28 (Amendments), HKFRSs 9 (Amendments), 16, HK(IFRIC)-Int 23 and Annual Improvements to HKFRSs 2015-2017 Cycle that have been issued but are not yet effective.

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

(B) New standards and interpretations not yet effective (continued)

The Company has started to review all of the Company's leasing arrangements in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of HK\$10,093,628 (note 16).

The Company will apply the standard from its mandatory adoption date of 1st April 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Upon adoption of HKFRS 16 on 1st April 2019, there would be recognition of right-of-use assets and lease liabilities in the Company's statement of financial position at 1st April 2019 and the aggregate amount of depreciation charge on the right-of-use assets and finance costs on the lease liabilities in the Company's statement of comprehensive income.

Except for the above, the Company anticipates that the application of the other amendments and improvements to standards that have been issued but are not yet effective may have no material impact on the results of operations and financial position.

2.4 Revenue and other income

Income is classified by the Company as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Company's business.

Revenue is recognized when control over a product is transferred or service provided to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 Revenue and other income (continued)

Further details of the Company's revenue and other income recognition policies are as follows:

- a) Government subvention is recognised 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 recognised 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 are recognised upon the presentation of the performance.
- c) Children Troupe membership and activities fees are recognised over the relevant period.
- d) Outreach and education activities fees and other performance fees are recognised under the terms and conditions of the service agreements over the relevant period or upon the presentation of the performance.
- e) Membership fees are recognised over the relevant period.
- f) Donation and sponsorship are recognised on a cash receipt basis or in the period as specified by the donor.
- g) Bank interest income is recognised on a time-proportion basis using the effective interest method.
- h) Bond interest income is recognised on a time-proportion basis using the effective interest method.
- i) Miscellaneous income is recognised 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 capitalised when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated to write off the cost of property, plant and equipment 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) PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investments in debt and equity securities

Investments in debt and equity securities are recognized/derecognized on the date the Company commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1st April 2018

Investments other than equity investments

Non-equity investments held by the Company are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2.4 (h).

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Investments in debt and equity securities (continued)

(B) Policy applicable prior to 1st April 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognized in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognized in profit or loss.

Dated debt securities that the Company had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortized cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the investment revaluation reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognized in profit or loss in accordance with the policies set out in notes 2.4(h). Foreign exchange gains and losses arising from debt securities were also recognized in profit or loss. When the investments were derecognized or impaired, the cumulative gain or loss recognized in equity was reclassified to profit or loss.

2.7 Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1st April 2018

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1st April 2018 (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1st April 2018

Prior to 1st April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognized only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
- significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows :-

- For trade and other current receivables and financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.
- 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 profit or loss. 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) PRINCIPAL ACCOUNTING POLICIES (continued)

2.7 Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1st April 2018 (continued)

If any such evidence exists, any impairment loss is determined and recognized as follows :-
(continued)

- When the recovery of a trade debtor or other financial assets carried at amortized cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Company was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognized in profit or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts).

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Contract liabilities

A contract liability is recognized when the customer pays consideration before the Company recognizes the related revenue. A contract liability would also be recognized if the Company has an unconditional right to receive consideration before the Company recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Policy prior to 1st April 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognized profit less recognized losses and progress billings. These net balances were presented as the "gross amount due from customers for contract work" (as an asset) or the "gross amount due to customers for contract work" (as a liability), as applicable, under "trade and other receivables" or "trade and other payables" respectively on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "trade debtors and bills receivable". Amounts received before the related work was performed were presented as "advances received" under "trade and other payables". These balances have been reclassified on 1st April 2018 as shown in note 14.

2.9 Accounts receivable

A receivable is recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

2.10 Accounts payable

Accounts payable are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in such case they are stated at cost.

2.11 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.

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Development fund

The development fund is used for non-subvented 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.

2.13 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised 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 recognised 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 recognised until the time of the leaves.

2.14 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 statement of comprehensive income on a straight line basis over the lease terms.

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.15 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.

- (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 group (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. If the Company is itself such a plan, the sponsoring employers are also 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the company's parent.

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 FOR THE YEAR

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
Surplus for the year is arrived at after charging:		
Staff costs		
- Staff salaries and allowances	25,017,289	22,290,409
- Mandatory provident fund contributions	975,371	936,132
	<u>25,992,660</u>	<u>23,226,541</u>
Other items		
- Auditors' remuneration	27,000	27,000
- Depreciation on property, plant and equipment	488,383	570,502
- Rental expenses of properties under operating leases	3,369,120	3,112,012
- Venue rental	2,333,476	2,285,134
	<u>2,333,476</u>	<u>2,285,134</u>

4) BOARD MEMBERS' REMUNERATION

No board member received, or will receive, any fees or emoluments (2018: 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 (2018: Nil).

6) PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and fixtures</u>	<u>Office equipment</u>	<u>Computer system</u>	<u>Stage and technical equipment</u>	<u>Total</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
At cost					
At 1st April 2017	1,185,065	419,836	1,280,365	2,058,817	4,944,083
Additions	400,258	4,005	58,407	417,365	880,035
Write-off	(12,050)	(26,540)	(38,530)	-	(77,120)
At 31st March 2018	<u>1,573,273</u>	<u>397,301</u>	<u>1,300,242</u>	<u>2,476,182</u>	<u>5,746,998</u>
Additions	-	-	68,778	13,000	81,778
Write-off	(3,700)	-	(61,370)	-	(65,070)
At 31st March 2019	<u>1,569,573</u>	<u>397,301</u>	<u>1,307,650</u>	<u>2,489,182</u>	<u>5,763,706</u>
Aggregate depreciation					
At 1st April 2017	1,101,626	316,777	1,023,907	1,803,580	4,245,890
Charge for the year	144,408	38,417	139,504	248,173	570,502
Write-off	(12,050)	(26,540)	(38,530)	-	(77,120)
At 31st March 2018	<u>1,233,984</u>	<u>328,654</u>	<u>1,124,881</u>	<u>2,051,753</u>	<u>4,739,272</u>
Charge for the year	134,999	33,237	102,573	217,574	488,383
Write-off	(3,700)	-	(61,370)	-	(65,070)
At 31st March 2019	<u>1,365,283</u>	<u>361,891</u>	<u>1,166,084</u>	<u>2,269,327</u>	<u>5,162,585</u>
Net Book Value					
At 31st March 2019	<u>204,290</u>	<u>35,410</u>	<u>141,566</u>	<u>219,855</u>	<u>601,121</u>
At 31st March 2018	<u>339,289</u>	<u>68,647</u>	<u>175,361</u>	<u>424,429</u>	<u>1,007,726</u>

NOTES TO THE FINANCIAL STATEMENTS

7) GENERAL ACTIVITIES

	<u>General</u>	<u>Matching Grant</u>	<u>Total</u>	
	<u>2019</u>	<u>(Note)</u>	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>2019</u>	<u>HK\$</u>	<u>HK\$</u>
		<u>HK\$</u>		
<u>Income</u>				
Government subvention	41,849,754	792,447	42,642,201	36,725,591
Other grants	1,597,574	-	1,597,574	1,022,787
Box office income	3,337,424	-	3,337,424	3,185,152
Outreach and education activities fees	5,284,976	-	5,284,976	3,778,519
Children Troupe activities and courses fees	3,617,580	-	3,617,580	2,939,630
Other performance fees	792,280	-	792,280	1,651,934
Donation and sponsorship	1,465,640	-	1,465,640	984,880
Bond interest income	85,694	-	85,694	85,791
Bank interest income	169,738	-	169,738	45,206
Membership fees	36,300	-	36,300	56,220
Miscellaneous income	147,195	-	147,195	201,010
	<u>58,384,155</u>	<u>792,447</u>	<u>59,176,602</u>	<u>50,676,720</u>
<u>Expenditure</u>				
Production costs	12,713,054	-	12,713,054	11,134,736
Staff costs	25,992,660	-	25,992,660	23,226,541
Marketing expenses	4,709,946	-	4,709,946	5,007,365
Outreach and education	3,288,141	-	3,288,141	2,320,666
Children troupe	1,559,517	-	1,559,517	1,228,386
General overheads	6,762,345	792,447	7,554,792	7,241,501
	<u>55,025,663</u>	<u>792,447</u>	<u>55,818,110</u>	<u>50,159,195</u>
Surplus for the year	3,358,492	-	3,358,492	517,525
Balance at the beginning of the financial period	<u>16,969,340</u>	<u>-</u>	<u>16,969,340</u>	<u>16,451,815</u>
Balance at the end of the financial period	<u>20,327,832</u>	<u>-</u>	<u>20,327,832</u>	<u>16,969,340</u>

During the year, Arts Development Matching Grants Pilot Scheme granted an amount of HK\$792,447 (2018 : Nil) to the Company. The grant was used to subsidise the rental of office premises, warehouse and container payable by the Company for the year. Separate bank account for the receipt of grant as required by the Agreement Letter has been maintained. All interest (if any) accruing on the balance standing to the credit of the bank account has been used exclusively for the purposes of the activities in accordance with the terms and conditions of the Agreement Letter.

NOTES TO THE FINANCIAL STATEMENTS7) GENERAL ACTIVITIES (continued)

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Disaggregated by timing of revenue recognition</u>		
<u>Point in time</u>		
Box office income	3,337,424	3,185,152
Outreach and education activities fees	1,601,240	802,200
Other performance fees	792,280	1,651,934
Donation and sponsorship	1,465,640	984,880
Miscellaneous income	147,195	201,010
	<u>7,343,779</u>	<u>6,825,176</u>
<u>Over time</u>		
Government subvention	42,642,201	36,725,591
Outreach and education activities fees	3,683,736	2,976,319
Other grants	1,597,574	1,022,787
Children Troupe activities and courses fees	3,617,580	2,939,630
Membership fees	36,300	56,220
	<u>51,577,391</u>	<u>43,720,547</u>
	<u>58,921,170</u>	<u>50,545,723</u>

8) CONTESTABLE FUNDING PILOT SCHEME

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

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Government subvention	712,052	28,594
Interest income	1,316	51
	<u>713,368</u>	<u>28,645</u>
<u>Expenditure</u>		
Production costs	266,579	-
Staff costs	403,032	20,645
Marketing expenses	36,000	-
General overheads	7,757	8,000
	<u>713,368</u>	<u>28,645</u>
Surplus for the year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

8) CONTESTABLE FUNDING PILOT SCHEME (continued)

The Company has entered into an agreement with the Government on 29th January 2018, under which a total grant of HK\$2,500,000 would be received from the Government for the purpose of research study on Chinese martial arts and Chinese dance. Up to the reporting date, 90% of the grant was received and an amount of \$1,509,354 was credited to the "Subvention and others received in advance" account in the statement of financial position as a current liability. The fund received from the Government has been deposited into a separate local bank account with the interest-earned credited as income of the project per above. The Company would bear the excess project cost, if any, upon the completion and finalisation of the project. However, if there were, any unspent portion of the earmarked grant, it should be returned to the Government on the expiry or termination of such agreement. During the year, a grant of \$712,052 was recognised as government subvention to compensate the expenses incurred in the same period.

9) OTHER FINANCIAL ASSETS

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets measured at</u>		
<u>amortized cost</u>		
- Bonds listed in Hong Kong	<u>3,166,519</u>	<u>3,170,168</u>

The market value of financial assets measured at amortized cost as at 31st March 2019 was HK\$3,012,568 (2018 : HK\$2,947,743).

10) 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 relates 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 2019, the Company's accounts receivable was not past due nor impaired (2018 : Nil).

NOTES TO THE FINANCIAL STATEMENTS11) CASH AND BANK BALANCES

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
Bank deposits with maturities of 3 months or less	3,612,232	8,697,410
Cash at banks and in hand	<u>8,536,278</u>	<u>8,432,339</u>
Cash and cash equivalents in the statement of cash flows	12,148,510	17,129,749
Bank deposits with maturities more than 3 months	<u>9,174,675</u>	-
Cash and cash equivalents in the statement of financial position	<u><u>21,323,185</u></u>	<u><u>17,129,749</u></u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on short term deposits are 0.01% - 1.85% (2018 : 0.01% - 0.85%) per annum. These deposits have an average duration of maturity ranged from 1 month to 6 months (2018 : 1 month to 3 months).

12) 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.

13) SUBVENTION AND OTHERS RECEIVED IN ADVANCE

Subvention and others received in advance include an unspent grant of HK\$Nil (2018 : HK\$2,221,406) under Contestable Funding Pilot Scheme and deferred income of HK\$Nil (2018 : HK\$1,758,566) from box office, outreach and education activities and Children Troupe activities.

14) CONTRACT LIABILITIES

	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>HK\$</u>	<u>HK\$</u>
Subvention grant received in advance	1,509,354	-
Deferred income received in advance	<u>4,166,455</u>	-
	<u><u>5,675,809</u></u>	<u><u>-</u></u>

Movements in contract liabilities

	<u>2019</u>
	<u>HK\$</u>
Balance at 1st April 2018	3,979,972
Increase in contract liabilities as a result of forward sales deposits	2,407,889
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the period	<u>(712,052)</u>
Balance at 31st March	<u><u>5,675,809</u></u>

15) FINANCIAL INSTRUMENTS BY CATEGORY

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets</u>		
Other financial assets	3,166,519	3,170,168
Loans and receivables		
Trade and other receivables excluding prepayments	1,839,316	1,277,930
Cash at bank balances	21,323,185	17,129,749
	<u>26,329,020</u>	<u>21,577,847</u>
 <u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Trade and other payables	2,332,820	1,938,469
	<u>2,332,820</u>	<u>1,938,469</u>

The Company's exposure to various risks associated with the financial instruments is discussed in note 17. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

16) OPERATING LEASE COMMITMENT

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

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
Within a year	3,595,988	3,599,640
After one year but within five years	6,497,640	1,162,800
	<u>10,093,628</u>	<u>4,762,440</u>

17) 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 other financial assets, 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 recognised for the irrecoverable balances. The Company holds other financial assets with high credit rating. 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 2019 and 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS17) FINANCIAL RISK MANAGEMENT - OBJECTIVES AND POLICIES (continued)

The ratio of reserves balance net of accumulated donation and sponsorship income to total expenditure in the subvention period at 31st March 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Reserves</u>		
General Fund	20,327,832	16,969,340
Less: Net book value of property, plant and equipment	<u>601,121</u>	<u>1,007,726</u>
	19,726,711	15,961,614
Less: Accumulated donation and sponsorship income	<u>11,541,420</u>	<u>10,075,780</u>
	<u>8,185,291</u>	<u>5,885,834</u>
Expenditure in the subvention period	55,818,110	50,159,195
Less: Depreciation for the year	(488,383)	(570,502)
Add: Additions to property, plant and equipment for the year	<u>81,778</u>	<u>880,035</u>
Expenditure after adjustments to write off property, plant and equipment in the year of purchase	<u>55,411,505</u>	<u>50,468,728</u>
Ratio	14.8%	11.7%

At 31st March 2019 and 2018, the reserves carried forward after deducting the accumulated donation and sponsorship income are less than 25% of the total expenditure in the subvention period.

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 2019 would increase / decrease by HK\$189,694 (2018 : HK\$164,076).

18) RELATED PARTY TRANSACTIONS

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

Pursuant to the agreement during the year made between the Company and Home Affairs Bureau ("HAB") of the Government, HAB paid to the Company, in accordance with the terms of the Agreement, an annual subvention of HK\$41,137,702 for the year ended 31st March 2019 (2018 : HK\$36,696,997), a grant under the Arts Development Matching Grant Pilot Scheme amounting HK\$792,447 (2018 : Nil) and a grant under the Contestable Fund Pilot Scheme amounting Nil for the year ended 31st March 2019 (2018 : \$2,250,000).

Pursuant to the 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\$353,254 for the year ended 31st March 2019 (2018 : HK\$268,987).

Pursuant to the agreements 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\$5,828,596 for the year ended 31st March 2019 (2018 : HK\$5,000,912).

Pursuant to the agreement during the year made between the Company and LCSD, LCSD paid to the Company, in accordance with the terms of the Agreement for "HK WEEK 2018 IN TAIPEI" supporting one performance in Taipei, a grant of HK\$1,100,000 for the year ended 31st March 2019 (2018 : Nil).

Pursuant to the agreement during the year made between the Company and the Hong Kong Arts Development Council, the Council paid to the Company, in accordance with the terms of the Agreement for the 5th Round of Dance Artistic Internship Scheme, a grant of HK\$144,320 for the year ended 31st March 2019 (2018 : Nil).

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