



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 2012

林海涵會計師行
H. H. LAM & CO.

Chartered Accountants,
Certified Public Accountants
Hong Kong.

HONG KONG DANCE COMPANY LIMITED

REPORT OF THE BOARD MEMBERS

The board members have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March 2012.

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 2012 are set out in the statement of comprehensive income on page 5.

Property, plant and equipment

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

Board members

The board members during the year were:

Mr. Wong Yuen Fai, Stanley,JP

Dr. Shen Shir Ming

Ms. Chan Wen Mee, May

Mr. Fung Ying Wai, Wilson

Mr. Cheng Shing Fung, Baldwin

Mrs. Ma Lai Bik Lin, Jackie

Mr. Ho Ho Chuen

Mr. Sin Yuen

Mr. Yeung Kwok Leung

Ms. Lam Lit Kwan

Mr. Tsang Chiu Jun, Justin

Ms. Jane Curzon Lo

Ms. Fong Doris

(Retired on 24th November 2011)

HONG KONG DANCE COMPANY LIMITED

REPORT OF THE BOARD MEMBERS (continued)

Board members (continued)

In accordance with Article 40 of the Company's Articles of Association, Mr. Fung Ying Wai, Wilson, Mrs Ma Lai Bik Lin, Jackie and Ms. Lam Lit Kwan will retire by rotation at the forthcoming annual general meeting.

In accordance with Article 36 of the Company's Articles of Association, Mr. Wong Yuen Fai, Stanley, JP, Ms. Jane Curzon Lo and Mr. Tsang Chiu Jun, Justin being appointed by the Government will retire at the conclusion of the forthcoming annual general meeting.

Board members' interests in contracts

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

Management contracts

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

Auditors

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

On behalf of the Board



Chairman

Hong Kong, 26th July 2012

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

(Incorporated in Hong Kong with limited liability by guarantee)

We have audited the financial statements of Hong Kong Dance Company Limited (the "company") set out on pages 5 to 18, which comprise the statement of financial position as at 31st March 2012, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board members' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial statements.

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 state of the Company's affairs as at 31st March 2012 and of its surplus 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 and 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 DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2012

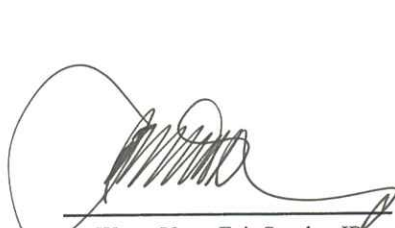
	Note	2012			2011		
		General	Development	Total	General	Development	Total
		fund	fund	Total	fund	fund	Total
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<u>INCOME</u>							
Government subvention		28,361,000	-	28,361,000	28,361,000	-	28,361,000
Supplementary subvention for							
venue partnership scheme	7	2,054,452	-	2,054,452	2,054,452	-	2,054,452
outbound cultural exchange	8	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Subvention from Leisure and Cultural							
Services Department		127,406	-	127,406	1,133,289	-	1,133,289
Sponsorship from Tsuen Wan District Council		-	-	-	736,692	-	736,692
Box office income		1,919,639	-	1,919,639	1,975,114	-	1,975,114
Outreach and education activities fees		2,474,402	-	2,474,402	2,240,022	-	2,240,022
Children Troupe membership and activities Fees		2,060,500	-	2,060,500	1,571,800	-	1,571,800
Other performance fees		47,880	-	47,880	81,000	-	81,000
Donation and sponsorship		1,243,012	-	1,243,012	200,000	-	200,000
Bank interest income		6,938	502	7,440	3,260	512	3,772
Membership fees		28,160	-	28,160	29,800	-	29,800
Miscellaneous income		112,999	-	112,999	190,392	-	190,392
		<u>39,436,388</u>	<u>502</u>	<u>39,436,890</u>	<u>39,576,821</u>	<u>512</u>	<u>39,577,333</u>
<u>EXPENDITURE</u>							
Production costs		7,884,055	-	7,884,055	9,356,021	-	9,356,021
Staff costs		18,939,472	-	18,939,472	17,758,710	-	17,758,710
Marketing expenses		2,398,700	-	2,398,700	2,203,712	-	2,203,712
Outreach and education		2,203,757	-	2,203,757	2,997,081	-	2,997,081
Children Troupe		1,269,915	-	1,269,915	646,753	-	646,753
General overheads		5,950,179	450.00	5,950,629	5,095,532	-	5,095,532
		<u>38,646,078</u>	<u>450.00</u>	<u>38,646,528</u>	<u>38,057,809</u>	<u>-</u>	<u>38,057,809</u>
Surplus for the year	3	790,310	52	790,362	1,519,012	512	1,519,524
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		<u>790,310</u>	<u>52</u>	<u>790,362</u>	<u>1,519,012</u>	<u>512</u>	<u>1,519,524</u>

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

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31ST MARCH 2012

	Note	2012			2011		
		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	1,559,691	-	1,559,691	782,440	-	782,440
<u>CURRENT ASSETS</u>							
Accounts receivable	9	255,216	-	255,216	1,314,898	-	1,314,898
Deposits and prepayments	9	2,381,650	-	2,381,650	1,486,691	-	1,486,691
Cash and cash equivalents	10	7,073,598	678,114	7,751,712	5,980,714	678,062	6,658,776
		9,710,464	678,114	10,388,578	8,782,303	678,062	9,460,365
<u>CURRENT LIABILITIES</u>							
Accounts payable	11	2,416,887	-	2,416,887	1,730,245	-	1,730,245
Accruals	11	462,948	-	462,948	234,488	-	234,488
		2,879,835	-	2,879,835	1,964,733	-	1,964,733
Net current assets		6,830,629	678,114	7,508,743	6,817,570	678,062	7,495,632
Net assets		8,390,320	678,114	9,068,434	7,600,010	678,062	8,278,072
Represented by:							
<u>GENERAL FUND</u>		8,390,320	-	8,390,320	7,600,010	-	7,600,010
<u>DEVELOPMENT FUND</u>		-	678,114	678,114	-	678,062	678,062
		8,390,320	678,114	9,068,434	7,600,010	678,062	8,278,072

Approved and authorized for issue by the Board on 26th July 2012


Wong Yuen Fai, Stanley, JP
Chairman


Fung Ying Wai, Wilson
Treasurer

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

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2012

	General <u>fund</u> <u>HK\$</u>	Development <u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
Balance at 1st April 2010	6,080,998	677,550	6,758,548
Surplus for the year	1,519,012	512	1,519,524
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>1,519,012</u>	<u>512</u>	<u>1,519,524</u>
Balance at 31st March 2011	<u><u>7,600,010</u></u>	<u><u>678,062</u></u>	<u><u>8,278,072</u></u>
Balance at 1st April 2011	7,600,010	678,062	8,278,072
Surplus for the year	790,310	52	790,362
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>790,310</u>	<u>52</u>	<u>790,362</u>
Balance at 31st March 2012	<u><u>8,390,320</u></u>	<u><u>678,114</u></u>	<u><u>9,068,434</u></u>

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2012

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
Surplus for the year	790,362	1,519,524
Adjustments for:		
Depreciation	773,403	385,741
Bank interest income	(7,440)	(3,772)
	<hr/>	<hr/>
Surplus on operation before changes in working capital	1,556,325	1,901,493
Increase in deposits and prepayments	(894,959)	(322,700)
Decrease/(Increase) in accounts receivable	1,059,682	(935,394)
Increase/(Decrease) in accounts payable	686,642	(935,268)
Increase/(Decrease) in accruals	228,460	(174,483)
	<hr/>	<hr/>
Net cash generated from operating activities	<u>2,636,150</u>	<u>(466,352)</u>
<u>INVESTING ACTIVITIES</u>		
Payment for purchase of fixed assets	(1,550,654)	(370,507)
Bank interest received	7,440	3,772
	<hr/>	<hr/>
Net cash (used in) investing activities	<u>(1,543,214)</u>	<u>(366,735)</u>
Net increase/(decrease) in cash and cash equivalents	1,092,936	(833,087)
Cash and cash equivalents at the beginning of the year	<hr/>	<hr/>
	6,658,776	7,491,863
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>7,751,712</u>	<u>6,658,776</u>
 <u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Bank and cash balances	<u>7,751,712</u>	<u>6,658,776</u>

HONG KONG DANCE COMPANY LIMITED
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 the registered office of the Company is 4th Floor, Sheung Wan Municipal Services Building, 345 Queen's Road Central, Hong Kong.

2) Principal accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2.2 below provides information on any changes in accounting policies resulting from initial application of these new or revised HKFRSs to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation

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

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

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

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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) Principal accounting policies (Continued)

2.2 Basis of preparation (Continued)

- (i) Standards, amendments and interpretations which are effective on or after 1st April 2011.

The HKICPA has issued a number of amendments and interpretations to existing standards which are effective in the current year.

HKAS 24 (Revised) Related Party Disclosures

Improvements to HKFRS 2010:

- HKFRS 7 Financial Instruments : Disclosure

Other amendmendments and interpretations are not relevant to the Company and have no impact on the Company's financial statements.

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

The following new and revised standard, which is relevant to the Company, has been published and is mandatory for accounting years of the Company beginning on or after 1st April 2012 or later years and has not been early adopted :

	Effective for accounting years beginning on or after
HKFRS 9 Financial Instruments	1st January 2015

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) Principal accounting policies (Continued)

2.3 Revenue recognition

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

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

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalized when it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably.

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

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

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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) Principal accounting policies (Continued)

2.5 Impairment of assets

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in the statement of comprehensive income except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

2.6 Accounts receivable

Accounts receivable are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivable is stated at cost less impairment losses for bad and doubtful debts.

2.7 Accounts payable

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

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.9 Development fund

The development fund is used for non-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)

2.10 Employee benefits

a) Short term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

b) Pension obligations

The company pays contributions to a defined contribution retirement scheme under the Mandatory Provident Fund scheme ("MPF Scheme") in Hong Kong. The assets of the scheme are held in separate trustee-administrated funds. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

c) Employees' leave entitlements

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

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

2.11 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the company is the lessee, the rentals payable under operating leases are charged to the surplus or deficit on a straight line basis over the lease terms.

2.12 Related parties

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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3) Surplus for the year

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
Surplus for the year is arrived at after charging:		
Staff costs		
- salaries and allowances	17,451,579	16,268,517
- gratuities	818,708	852,744
- retirement benefit scheme	669,185	637,449
Auditors' remuneration	25,000	25,000
Depreciation	773,403	385,741
Rental expenses of properties under operating leases	1,716,000	1,716,000
	17,451,579	16,268,517

4) Board members' remuneration

No board member received, or will receive, any fees or emoluments (2011: Nil) in respect of services to the Company during the year.

5) Income tax

The Company is exempt from Hong Kong Profits Tax under Section 88 of the Hong Kong Inland Revenue Ordinance (2011: 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 2010	408,945	247,032	581,008	733,262	1,970,247
Additions	-	104,306	35,910	230,291	370,507
At 31st March 2011	408,945	351,338	616,918	963,553	2,340,754
Additions	464,200	38,595	348,705	699,154	1,550,654
At 31st March 2012	873,145	389,933	965,623	1,662,707	3,891,408
Aggregate depreciation					
At 1st April 2010	139,816	118,754	356,039	557,964	1,172,573
Charge for the year	93,466	69,880	87,414	134,981	385,741
At 31st March 2011	233,282	188,634	443,453	692,945	1,558,314
Charge for the year	209,516	79,527	174,590	309,770	773,403
At 31st March 2012	442,798	268,161	618,043	1,002,715	2,331,717
Net Book Value					
At 31st March 2012	430,347	121,772	347,580	659,992	1,559,691
At 31st March 2011	175,663	162,704	173,465	270,608	782,440

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>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Subvention from the government	2,054,452	2,054,452
Subvention from Leisure and Cultural Services Department ("LCSD")	127,406	133,289
Sponsorship from Tsuen Wan District Council	-	736,692
Box office income	267,642	124,444
Outreach and education activities fees	40,020	39,280
Children Troupe membership and activities fees	294,240	283,920
Other performance fees	-	3,000
Miscellaneous income	17,920	2,800
	<u>2,801,680</u>	<u>3,377,877</u>
<u>Expenditure</u>		
Production costs	1,532,164	1,428,451
Staff costs	489,381	467,366
Marketing expenses	271,270	355,850
Outreach and education	416,443	1,082,717
Children Troupe	187,821	185,806
General overheads	45,387	70,144
	<u>2,942,466</u>	<u>3,590,334</u>
(Deficit) for the year	<u>(140,786)</u>	<u>(212,457)</u>

8) Outbound cultural exchange

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

	<u>2012</u>	<u>2011</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Subvention from the government	1,000,000	1,000,000
Subvention from LCSD	-	1,000,000
Miscellaneous income	-	33,665
	<u>1,000,000</u>	<u>2,033,665</u>
<u>Expenditure</u>		
Production costs	-	1,867,519
Marketing expenses	-	50,261
	<u>-</u>	<u>1,917,780</u>
Surplus for the year	<u>1,000,000</u>	<u>115,885</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS9) 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 2012, the Company's accounts receivable and deposits and prepayments were neither past due nor impaired (2011: Nil).

10) Cash and cash equivalents

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Bank and cash balances	<u>7,751,712</u>	<u>6,658,776</u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on bank balances is 0.12% (2011: 0.035%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

11) Accounts payable and accruals

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

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

12) Financial instruments by category

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

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	255,216	1,314,898
Financial assets included in deposits	157,329	156,224
Cash and cash equivalents	<u>7,751,712</u>	<u>6,658,776</u>
	<u>8,164,257</u>	<u>8,129,898</u>
<u>Financial liabilities</u>		
Accounts payable	2,416,887	1,730,245
Financial liabilities included in accruals	<u>462,948</u>	<u>234,488</u>
	<u>2,879,835</u>	<u>1,964,733</u>

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

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

	<u>2012</u> <u>HK\$</u>	<u>2011</u> <u>HK\$</u>
Within a year	1,716,000	1,716,000
After one year but within five years	-	1,716,000
	<u>1,716,000</u>	<u>3,432,000</u>

14) Financial risk management - objectives and policies

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

Credit risk

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

The credit risk of the Company's financial assets, which comprise accounts receivable and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument. The Company reviews the recoverable amounts of financial assets regularly to ensure that adequate impairment losses are recognized for the irrecoverable balances. The Company has no significant concentration of credit risks in respect of accounts receivable. The Company's cash has been deposited with 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 2012 and 2011.

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

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

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

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Company's surplus for the year ended 31st March 2012 would increase / decrease by HK\$70,907 (2011: HK\$61,882).

15) Related party transactions

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