

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 2013

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 2013.

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 2013 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 (resigned on 15th November 2012)
Mrs. Ma Lai Bik Lin, Jackie
Mr. Ho Ho Chuen
Mr. Sin Yuen
Mr. Yeung Kwok Leung
Ms. Lam Lit Kwan (resigned on 3rd October 2012)
Mr. Tsang Chiu Jun, Justin
Ms. Jane Curzon Lo
Ms. Yau Siu Fee, JP (appointed on 15th November 2012)

HONG KONG DANCE COMPANY LIMITED

REPORT OF THE BOARD MEMBERS (continued)

Board members (continued)

In accordance with Article 39 of the Company's Articles of Association, Dr. Shen Shir Ming, Ms. Chan Wen Mee, May, Mr. Ho Ho Chuen, Mr. Sin Yuen and Mr. Yeung Kwok Leung will retire by rotation at 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.

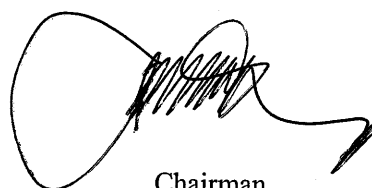
Management contracts

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

A handwritten signature in black ink, consisting of a large loop on the left and a series of vertical strokes followed by a horizontal line on the right.

Chairman

Hong Kong, 25th July 2013

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 20, which comprise the statement of financial position as at 31st March 2013, 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 2013 and of its deficit 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, 25th July 2013

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2013

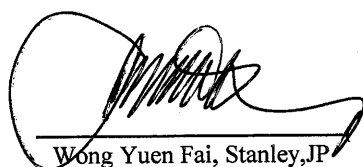
	<u>Note</u>	2013			2012		
		General	Development	Total	General	Development	Total
		<u>fund</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>fund</u> <u>HK\$</u>	<u>Total</u> <u>HK\$</u>
<u>INCOME</u>							
Government subvention		34,556,997	-	34,556,997	31,415,452	-	31,415,452
Grant from Leisure and Cultural Services Department		153,115	-	153,115	127,406	-	127,406
Box office income		1,662,794	-	1,662,794	1,919,639	-	1,919,639
Outreach and education activities fees		2,947,985	-	2,947,985	2,474,402	-	2,474,402
Children Troupe membership and activities fees		1,747,190	-	1,747,190	2,060,500	-	2,060,500
Other performance fees		344,000	-	344,000	47,880	-	47,880
Donation and sponsorship		2,805,600	100,000	2,905,600	1,243,012	-	1,243,012
Bank interest income		16,670	898	17,568	6,938	502	7,440
Membership fees		36,720	-	36,720	28,160	-	28,160
Miscellaneous income		265,458	-	265,458	112,999	-	112,999
		<u>44,536,529</u>	<u>100,898</u>	<u>44,637,427</u>	<u>39,436,388</u>	<u>502</u>	<u>39,436,890</u>
<u>EXPENDITURE</u>							
Production costs		12,903,848	-	12,903,848	7,884,055	-	7,884,055
Staff costs		19,983,709	-	19,983,709	18,939,472	-	18,939,472
Marketing expenses		3,048,080	-	3,048,080	2,398,700	-	2,398,700
Outreach and education		2,906,182	-	2,906,182	2,203,757	-	2,203,757
Children Troupe		1,190,802	-	1,190,802	1,269,915	-	1,269,915
General overheads		5,858,520	-	5,858,520	5,950,179	450	5,950,629
		<u>45,891,141</u>	<u>-</u>	<u>45,891,141</u>	<u>38,646,078</u>	<u>450</u>	<u>38,646,528</u>
(Deficit)/Surplus for the year	3	(1,354,612)	100,898	(1,253,714)	790,310	52	790,362
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive (expense)/income for the year		<u>(1,354,612)</u>	<u>100,898</u>	<u>(1,253,714)</u>	<u>790,310</u>	<u>52</u>	<u>790,362</u>

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

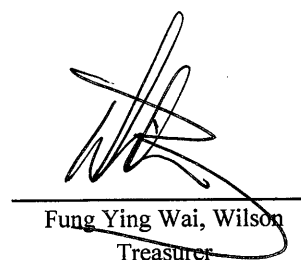
HONG KONG DANCE COMPANY LIMITEDSTATEMENT OF FINANCIAL POSITIONFOR THE YEAR ENDED 31ST MARCH 2013

	Note	2013			2012		
		General	Development	Total	General	Development	Total
		fund	fund		fund	fund	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<u>NON-CURRENT ASSETS</u>							
Property, plant and equipment	6	1,147,697	-	1,147,697	1,559,691	-	1,559,691
<u>CURRENT ASSETS</u>							
Accounts receivable	9	347,117	-	347,117	255,216	-	255,216
Deposits and prepayments	9	1,327,495	-	1,327,495	2,381,650	-	2,381,650
Cash and cash equivalents	10	5,617,783	779,012	6,396,795	7,073,598	678,114	7,751,712
		7,292,395	779,012	8,071,407	9,710,464	678,114	10,388,578
<u>CURRENT LIABILITIES</u>							
Accounts payable	11	1,099,084	-	1,099,084	2,416,887	-	2,416,887
Accruals	11	305,300	-	305,300	462,948	-	462,948
		1,404,384	-	1,404,384	2,879,835	-	2,879,835
Net current assets		5,888,011	779,012	6,667,023	6,830,629	678,114	7,508,743
Net assets		7,035,708	779,012	7,814,720	8,390,320	678,114	9,068,434
Represented by:							
<u>GENERAL FUND</u>		7,035,708	-	7,035,708	8,390,320	-	8,390,320
<u>DEVELOPMENT FUND</u>		-	779,012	779,012	-	678,114	678,114
		7,035,708	779,012	7,814,720	8,390,320	678,114	9,068,434

Approved and authorized for issue by the Board on 25th July 2013



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 2013

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

HONG KONG DANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2013

	<u>2013</u>	<u>2012</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>OPERATING ACTIVITIES</u>		
(Deficit)/Surplus for the year	(1,253,714)	790,362
Adjustments for:		
Depreciation on property, plant and equipment	784,984	773,403
Bank interest income	<u>(17,568)</u>	<u>(7,440)</u>
(Deficit)/Surplus on operation before changes in working capital	(486,298)	1,556,325
Decrease/(Increase) in deposits and prepayments	1,054,155	(894,959)
(Increase)/Decrease in accounts receivable	(91,901)	1,059,682
(Decrease)/Increase in accounts payable	(1,317,803)	686,642
(Decrease)/Increase in accruals	<u>(157,648)</u>	<u>228,460</u>
Net cash (used in)/generated from operating activities	<u>(999,495)</u>	<u>2,636,150</u>
<u>INVESTING ACTIVITIES</u>		
Payment for purchase of fixed assets	(372,990)	(1,550,654)
Bank interest received	<u>17,568</u>	<u>7,440</u>
Net cash (used in) investing activities	<u>(355,422)</u>	<u>(1,543,214)</u>
Net (decrease)/increase in cash and cash equivalents	(1,354,917)	1,092,936
Cash and cash equivalents at the beginning of the year	<u>7,751,712</u>	<u>6,658,776</u>
Cash and cash equivalents at the end of the year	<u><u>6,396,795</u></u>	<u><u>7,751,712</u></u>
 <u>ANALYSIS OF CASH AND CASH EQUIVALENTS</u>		
Bank and cash balances	<u><u>6,396,795</u></u>	<u><u>7,751,712</u></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 developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention. All amounts are presented in Hong Kong dollars unless otherwise noted.

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

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

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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation of the financial statements (Continued)

- (i) Standards, amendments and interpretations which are effective on or after 1st April 2012.

The HKICPA has issued a number of amendments and interpretations to existing standards which are effective in the current year. These amendments 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 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 2013 or later years and has not been early adopted:

HKFRS 9	Financial Instruments	Effective for accounting years beginning on or after 1st January 2015
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The Company has commenced an assessment of the impact of this standard but expects its adoption will not have an impact on the results of operations and financial position of the Company.

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 accruals basis.
- c) Children Troupe activities fees and its membership fees are recognized on an accruals and cash receipt basis, respectively.
- d) Outreach and education activities fees and other performance fees are recognized under the terms and conditions of the service agreements on an accruals basis.

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Revenue recognition (Continued)

- e) Membership fees are recognized on a cash receipt basis.
- f) Donation and sponsorship are recognized on a cash receipt basis or in the period as specified by the donor.
- g) Bank interest income is recognized on a time-proportion basis using the effective interest method.
- h) Miscellaneous income is recognized on an accrual basis.

2.4 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 enterprise and the cost of the item can be measured reliably.

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

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

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

2.5 Impairment of assets

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in surplus or deficit 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 in other comprehensive income.

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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

2.7 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 cash flow statement.

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

2.12 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

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2) PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Related parties (Continued)

(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 company (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has a significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) (Deficit)/Surplus for the year

	<u>2013</u>	<u>2012</u>
	<u>HK\$</u>	<u>HK\$</u>
(Deficit)/Surplus for the year is arrived at after charging:		
Staff costs		
- salaries and allowances	18,562,928	17,451,579
- gratuities	668,823	818,708
- retirement benefit scheme	751,958	669,185
Auditors' remuneration	25,000	25,000
Depreciation on property, plant and equipment	784,984	773,403
Rental expenses of properties under operating leases	<u>1,716,000</u>	<u>1,716,000</u>

4) Board members' remuneration

No board member received, or will receive, any fees or emoluments (2012: 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 (2012: 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 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
Additions	322,790	9,800	-	40,400	372,990
Write-off	(21,240)	(26,615)	(60,990)	(84,234)	(193,079)
At 31st March 2013	<u>1,174,695</u>	<u>373,118</u>	<u>904,633</u>	<u>1,618,873</u>	<u>4,071,319</u>
Aggregate depreciation					
At 1st April 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
Charge for the year	278,944	78,848	164,250	262,942	784,984
Write-off	(21,240)	(26,615)	(60,990)	(84,234)	(193,079)
At 31st March 2013	<u>700,502</u>	<u>320,394</u>	<u>721,303</u>	<u>1,181,423</u>	<u>2,923,622</u>
Net Book Value					
At 31st March 2013	<u>474,193</u>	<u>52,724</u>	<u>183,330</u>	<u>437,450</u>	<u>1,147,697</u>
At 31st March 2012	<u>430,347</u>	<u>121,772</u>	<u>347,580</u>	<u>659,992</u>	<u>1,559,691</u>

HONG KONG DANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7) VENUE PARTNERSHIP SCHEME

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

	<u>2013</u> <u>HK\$</u>	<u>2012</u> <u>HK\$</u>
<u>Income</u>		
Grant from Leisure and Cultural		
Services Department ("LCSD")	153,115	127,406
Box office income	188,675	267,642
Outreach and education activities fees	187,948	40,020
Children Troupe membership and activities fees	316,200	294,240
Miscellaneous income	18,760	17,920
	<u>864,698</u>	<u>747,228</u>
<u>Expenditure</u>		
Production costs	1,464,071	1,532,164
Staff costs	545,224	489,381
Marketing expenses	340,686	271,270
Outreach and education	412,565	416,443
Children Troupe	192,562	187,821
General overheads	59,566	45,387
	<u>3,014,674</u>	<u>2,942,466</u>
(Deficit) before Government subvention	<u>(2,149,976)</u>	<u>(2,195,238)</u>

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

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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 in North America in January 2013.

	<u>2013</u> <u>HK\$</u>	<u>2012</u> <u>HK\$</u>
<u>Income</u>		
Donation and sponsorship	1,875,600	-
<u>Expenditure</u>		
Production costs	3,937,485	-
Marketing expenses	102,901	-
	<u>4,040,386</u>	<u>-</u>
(Deficit) before Government subvention	<u>(2,164,786)</u>	<u>-</u>

9) Accounts receivable and deposits and prepayments

Accounts receivable are non-interest-bearing and the credit period is generally for a period of one to two months. The Company seeks to maintain strict control over its outstanding receivables and regularly reviews the overdue balances. In the opinion of the management of the Company, accounts receivable relate to a number of independent customers for whom there is no recent history of default, there is no significant concentration of credit risk.

The carrying amounts of the Company's accounts receivable and deposits and prepayments approximate their fair values.

As at 31st March 2013, the Company's accounts receivable and deposits and prepayments were neither past due nor impaired (2012: Nil).

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10) Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
	<u>HK\$</u>	<u>HK\$</u>
Bank and cash balances	<u>6,396,795</u>	<u>7,751,712</u>

Bank balances earn interest at floating rates based on daily bank deposit rates. The weighted average interest rate on bank balances is 0.13% (2012: 0.12%) 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>2013</u>	<u>2012</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets</u>		
Accounts receivable	347,117	255,216
Financial assets included in deposits	164,205	157,329
Cash and cash equivalents	<u>6,396,795</u>	<u>7,751,712</u>
	<u>6,908,117</u>	<u>8,164,257</u>
<u>Financial liabilities</u>		
Accounts payable	1,099,084	2,416,887
Financial liabilities included in accruals	<u>305,300</u>	<u>462,948</u>
	<u>1,404,384</u>	<u>2,879,835</u>

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13) Operating lease commitment

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

	<u>2013</u> <u>HK\$</u>	<u>2012</u> <u>HK\$</u>
Within one year	2,388,000	1,716,000
After one year but within five years	4,776,000	-
	<u>7,164,000</u>	<u>1,716,000</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 2013 and 2012.

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.

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14) 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 2013 would increase / decrease by HK\$48,015 (2012: HK\$70,907).

15) Related party transactions

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

16) Comparative Figures

As a result of the application of HKAS 1 (Revised), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2013.