

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 2023

林海涵、林靄欣  
林靄文會計師事務所有限公司

**H. H. LAM & CO. CPA Limited**

Chartered Accountants,  
Certified Public Accountants  
Hong Kong.

HONG KONG DANCE COMPANY LIMITEDREPORT OF THE BOARD MEMBERS

The board members submit their report together with the audited financial statements for the year ended 31st March 2023.

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 2023 are set out in the statement of comprehensive income on page 10.

Board members

The board members during the year were:

Mr. Tsang Kee Kung, MH

Mr. Chu Ho Kwan, Raphael

Mr. Tsang Lap Ki, Richard

Ms. Au Yeung Lai Ling, Ivy

Ms. Lu Hai, Helen, BBS, MH, JP

Prof. Tseng Sun Man, MH, JP

Ms. Melissa Kaye Pang, BBS, MH, JP

Ms. Leung Wan Chong, Christine

Mr. Yu Kwok Lit, Louis, MH

Mr. Law Cheuk Kin, Stephen, JP

Mr. Ma Wai Man, Benjamin

Ms. Lau Ting Sin, Cynthia

Ms. Eileen Lee

Mr. Wu Keng Hou, Ronald, MH

(Appointed on 7th November 2022)

Mr. Law Sai Hung, Sebastian

(Retired on 7th November 2022)

In accordance with Articles 39 to 40 of the Company's Articles of Association, Mr. Tsang Kee Kung, MH, Mr. Chu Ho Kwan, Raphael, Ms. Au Yeung Lai Ling, Ivy, Prof. Tseng Sun Man, MH, JP, Mr. Law Cheuk Kin, Stephen, JP, Mr. Ma Wai Man, Benjamin, Ms. Lau Ting Sin, Cynthia and Ms. Eileen Lee will retire by rotation but eligible for re-election at the forthcoming Annual General Meeting.

HONG KONG DANCE COMPANY LIMITEDREPORT 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 Government's Bureau 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 Government in accordance with the Funding and Services Agreement between the Hong Kong SAR 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 year of 2022/23, 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.

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

Business review (continued)

Financial & performance highlights

The total income of the Company of the year was HK\$66.08 million (2021/22: HK\$61.05million), of which HK\$49.02 million (constituting 74%) were subventions received from the Culture, Sports and Tourism Bureau (2021/22: HK\$49.41 million). The operating income for the year was HK\$17.06 million (2021/22: HK\$11.64 million), representing a growth of 47%. The rise in operating income was mainly due to the softened impact of the pandemic and the increase in other grants, including a subsidy HK\$2.05 million from Employment Support Scheme (2021/22: Nil).

The Company continues to exercise stringent control over its expenditures. The total operating expenditure for the year was HK\$64.27 million (2021/22: HK\$60.30 million), an increase of 7% over previous year, which was mainly attributable to the increase in personal emoluments and production expenses. Along with the effective financial management, the Company ended up with a surplus of HK\$1.80 million for the year (2021/22: HK\$0.75 million).

During the year of 2022/23, the Hong Kong Dance Company mounted 7 major stage productions with an aggregate of 28 performances, attracting 11,000 live audiences, at an average capacity of 66% (2021/22: 6 major productions, 23 performances, 11,160 live audiences, average capacity 90%). Due to the outbreak of COVID-19 epidemic, 1 stage production with live audience was cancelled (2021/22: 2 stage productions were cancelled/postponed). Meanwhile, this year the Company presented 1 online programme attracting 310 audiences (2021/22: 1 online programme).

This year the Company toured abroad and presented 1 performance overseas with about 180 audience attended (2021/22: Nil).

The total number of outreach, community, educational and related activities numbered about 5,320 sessions, with a total of about 4.24 million members of the public participated during the year (2021/22: 3,420 sessions, 32,600 participants). A total of about 70 sessions of activities with online audience were conducted, attracting about 6.82 million online participants (2021/22: 590 sessions, 143,000 online participants). The rise in the number of audiences this year was mainly attributable to the participation in several performances celebrating the 25th anniversary of Hong Kong's return to the motherland.

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 minimize the generation of waste.

During the year, there were no major legal issues concerning our Company.

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

Business review (continued)

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 four 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 its works; the Company also produces annual reports according to the requirements of the Hong Kong SAR Government's Funding and Services Agreement that are available for the public to consult.

Principal risks and uncertainties

i) Business risk

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

ii) Financial risk

Financial risks facing the Company are set out in note 19 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

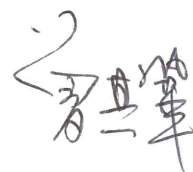
Looking ahead, the Company will continue to develop, to stay attune to the changing and improving market and audiences. These challenges give the Company energy, to work together for better and more outstanding results. With the support and guidance of the Board, the Company will continue to create Chinese 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.

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

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

A handwritten signature in black ink, appearing to be 'Tsang Kee Kung' in Chinese characters, written in a cursive style.

Chairman

Mr. Tsang Kee Kung, MH  
Hong Kong, 12th July 2023



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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 10 to 36, which comprise the statement of financial position as at 31st March 2023, 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 2023 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 ("HKSAs") 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 30 March 2022 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 Scheme made on 15 February 2023 and 14 February 2022 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.





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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)

### Responsibilities of board members and those charged with governance for the financial statements (continued)

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.

### 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.



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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)

- 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.
- 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, 12th July 2023

Vivian, O.M. LAM

Practicing Certificate Number P05220

HONG KONG DANCE COMPANY LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST MARCH 2023

<u>Note</u>	2023			2022			
	General	Development	<u>Total</u>	General	Development	<u>Total</u>	
	<u>fund</u>	<u>fund</u>		<u>fund</u>	<u>fund</u>		
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>		
<u>INCOME</u>							
Government subvention	49,015,850	-	49,015,850	49,410,625	-	49,410,625	
Other grants	4,525,747	-	4,525,747	968,955	-	968,955	
Box office income	1,296,751	-	1,296,751	1,743,004	-	1,743,004	
Outreach and education activities fees	3,083,121	-	3,083,121	2,776,057	-	2,776,057	
Children Troupe membership and activities fees	5,236,573	-	5,236,573	4,651,601	-	4,651,601	
Other performance fees	2,038,273	-	2,038,273	17,402	-	17,402	
Donation and sponsorship	142,163	24,500	166,663	967,568	81,000	1,048,568	
Bond interest income	85,282	-	85,282	85,389	-	85,389	
Bank interest income	313,812	2,532	316,344	57,552	684	58,236	
Membership fees	48,300	-	48,300	41,010	-	41,010	
Miscellaneous income	264,994	-	264,994	248,230	-	248,230	
	<u>66,050,866</u>	<u>27,032</u>	<u>66,077,898</u>	<u>60,967,393</u>	<u>81,684</u>	<u>61,049,077</u>	
<u>EXPENDITURE</u>							
Production costs	8,453,347	-	8,453,347	7,226,112	-	7,226,112	
Staff costs	30,459,305	-	30,459,305	28,225,875	-	28,225,875	
Marketing expenses	8,618,859	-	8,618,859	7,785,323	-	7,785,323	
Outreach and education	2,536,571	-	2,536,571	2,077,260	-	2,077,260	
Children troupe	2,463,142	-	2,463,142	2,174,133	-	2,174,133	
General overheads	11,742,133	-	11,742,133	12,806,388	-	12,806,388	
	<u>64,273,357</u>	<u>-</u>	<u>64,273,357</u>	<u>60,295,091</u>	<u>-</u>	<u>60,295,091</u>	
Surplus for the year	3	1,777,509	27,032	1,804,541	672,302	81,684	753,986
Other comprehensive income for the year		-	-	-	-	-	
Total comprehensive income for the year		<u>1,777,509</u>	<u>27,032</u>	<u>1,804,541</u>	<u>672,302</u>	<u>81,684</u>	<u>753,986</u>

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

## HONG KONG DANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

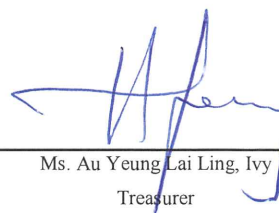
AS AT 31ST MARCH 2023

	Note	2023			2022		
		General	Development	Total	General	Development	Total
		fund	fund		fund	fund	
		HK\$	HK\$	HK\$	HK\$	HK\$	
<u>NON-CURRENT ASSETS</u>							
Property, plant and equipment	6	1,362,030	-	1,362,030	1,142,519	-	1,142,519
Right-of-use assets	11	7,714,582	-	7,714,582	1,224,045	-	1,224,045
Other financial assets	12	3,150,904	-	3,150,904	3,154,966	-	3,154,966
		12,227,516	-	12,227,516	5,521,530	-	5,521,530
<u>CURRENT ASSETS</u>							
Accounts receivable	13	2,924,720	-	2,924,720	763,331	-	763,331
Deposits and prepayments	13	1,885,662	-	1,885,662	1,479,210	-	1,479,210
Cash and bank balances	14	30,578,365	1,196,705	31,775,070	30,074,864	1,169,673	31,244,537
		35,388,747	1,196,705	36,585,452	32,317,405	1,169,673	33,487,078
<u>LIABILITIES</u>							
<u>CURRENT LIABILITIES</u>							
Accounts payable	15	1,704,062	-	1,704,062	1,523,495	-	1,523,495
Accruals	15	892,351	-	892,351	525,355	-	525,355
Lease liabilities	11	4,154,455	-	4,154,455	1,245,701	-	1,245,701
Contract liabilities	16	4,585,363	-	4,585,363	3,788,310	-	3,788,310
		11,336,231	-	11,336,231	7,082,861	-	7,082,861
Net current assets		24,052,516	1,196,705	25,249,221	25,234,544	1,169,673	26,404,217
<u>NON-CURRENT LIABILITIES</u>							
Lease liabilities	11	3,746,449	-	3,746,449	-	-	-
Net assets		32,533,583	1,196,705	33,730,288	30,756,074	1,169,673	31,925,747
Represented by:							
<u>GENERAL FUND</u>		32,533,583	-	32,533,583	30,756,074	-	30,756,074
<u>DEVELOPMENT FUND</u>		-	1,196,705	1,196,705	-	1,169,673	1,169,673
		32,533,583	1,196,705	33,730,288	30,756,074	1,169,673	31,925,747

Approved and authorized for issue by the Board on 12th July 2023



Mr. Tsang Kee Kung, MH  
Chairman



Ms. Au Yeung Lai Ling, Ivy  
Treasurer

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

HONG KONG DANCE COMPANY LIMITEDSTATEMENT OF CHANGES IN EQUITYFOR THE YEAR ENDED 31ST MARCH 2023

	General fund HK\$	Development fund HK\$	Total HK\$
Balance at 1st April 2021	30,083,772	1,087,989	31,171,761
Surplus for the year	672,302	81,684	753,986
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>672,302</u>	<u>81,684</u>	<u>753,986</u>
Balance at 31st March 2022 and 1st April 2022	30,756,074	1,169,673	31,925,747
Surplus for the year	1,777,509	27,032	1,804,541
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>1,777,509</u>	<u>27,032</u>	<u>1,804,541</u>
Balance at 31st March 2023	<u><u>32,533,583</u></u>	<u><u>1,196,705</u></u>	<u><u>33,730,288</u></u>

## HONG KONG DANCE COMPANY LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31ST MARCH 2023

	2023	2022
Note	HK\$	HK\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Surplus for the year	1,804,541	753,986
Adjustments for:		
Depreciation on property, plant and equipment	1,210,388	2,030,451
Depreciation on right-of-use assets	4,280,561	4,073,500
Interest on finance leases	387,436	191,642
Bond interest income	(85,282)	(85,389)
Bank interest income	(316,344)	(58,236)
	7,281,300	6,905,954
Surplus on operation before changes in working capital	7,281,300	6,905,954
Amortization of discount on held-to-maturity	4,062	3,955
Decrease in deposits and prepayments	(406,452)	(44,978)
(Increase)/Decrease in accounts receivable	(2,161,388)	288,025
Increase/(Decrease) in accounts payable	180,567	(307,511)
Increase/(Decrease) in accruals	366,996	(1,101,077)
Increase/(Decrease) in contract liabilities	797,053	(3,194,717)
	6,062,138	2,549,651
Net cash generated from operating activities	6,062,138	2,549,651
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payment for purchase of property, plant and equipment	(1,429,899)	(1,228,070)
Bond interest received	85,282	85,389
Bank interest received	316,344	58,236
	(1,028,273)	(1,084,445)
Net cash (used in) investing activities	(1,028,273)	(1,084,445)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Capital element of lease rentals paid	(4,115,896)	(4,196,550)
Interest element of lease rentals paid	(387,436)	(191,642)
	(4,503,332)	(4,388,192)
Net cash (used in) financing activities	(4,503,332)	(4,388,192)
Net increase/(decrease) in cash and cash equivalents	530,533	(2,922,986)
Cash and cash equivalents at the beginning of the year	31,244,537	34,167,523
Cash and cash equivalents at the end of the year	31,775,070	31,244,537
<u>ANALYSIS OF CASH AND BANK BALANCES</u>		
Cash at banks and in hand	10,895,327	11,235,710
Bank deposits with maturities of 3 months or less	20,879,743	20,008,827
Cash and cash equivalents	31,775,070	31,244,537
Bank deposits with maturities of more than 3 months	-	-
Cash and bank balances	31,775,070	31,244,537

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS1) GENERAL INFORMATION

Hong Kong Dance Company Limited ("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.

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

## (A) New and amended standards 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 HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Onerous contracts - Cost of fulfilling a contract
- Annual improvements to HKFRS Standards 2018-2020
- Amendments to HKFRS 3, Reference to the conceptual framework
- Amendments to HKFRS 16 (March 2021), Covid-19 Related rent concessions beyond 30 June 2021
- Amendments to AG 5 Merger accounting for common control combinations

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 HKAS 1 (Amendments) and HKFRS Practice Statement 2, HKAS 8 (Amendments), HKAS 12 (Amendments), HKAS 28 (Amendments), HKFRS 10 (Amendments), HKFRS 17 (Amendments) and HK Int 5 (2020) (Amendments), that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such Standards or Interpretations will not have a material impact on the Company.

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.



HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) 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	3 years
Office equipment	3 years
Computer equipment	3 years
Stage and technical equipment	3 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 LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.6 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.7 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.

(i) 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.

(ii) 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).

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.8 Credit losses and impairment of assets(i) Credit losses from financial instruments

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.

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.

(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).

If any such indication exists, the asset's recoverable amount is estimated.

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).

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.8 Credit losses and impairment of assets (continued)(ii) Impairment of other non-current assets (continued)

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.

2.9 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.

2.10 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.

2.11 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.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) PRINCIPAL ACCOUNTING POLICIES (continued)2.12 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.

2.13 Development fund

The development fund is used for non-subsented 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.

2.14 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 Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) Employees' leave entitlements

The Company provides paid annual leave to its employees under their employment contracts on a financial year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS2) 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 LIMITEDNOTES TO THE FINANCIAL STATEMENTS3) SURPLUS FOR THE YEAR

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
Surplus for the year is arrived at after charging:		
Staff costs		
- Staff salaries and allowances	29,261,949	27,106,939
- Mandatory provident fund contributions	1,197,356	1,118,936
	<u>30,459,305</u>	<u>28,225,875</u>
Surplus for the year is arrived at after charging:		
Other items		
- Auditors' remuneration	34,000	31,000
- Depreciation on property, plant and equipment	1,210,388	2,030,451
- Depreciation on right-of-use assets	4,280,561	4,073,500
- Venue rental	1,014,023	495,788

4) BOARD MEMBERS' REMUNERATION

No board member received, or will receive, any fees or emoluments (2022: 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 (2022: Nil).



## HONG KONG DANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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 2021	1,976,973	616,838	1,786,953	3,963,938	8,344,702
Additions	849,649	156,430	64,543	157,448	1,228,070
Write-off	<u>(274,089)</u>	<u>(232,663)</u>	<u>(88,534)</u>	<u>(144,922)</u>	<u>(740,208)</u>
At 31st March 2022	2,552,533	540,605	1,762,962	3,976,464	8,832,564
Additions	860,050	50,790	318,811	200,248	1,429,899
Write-off	<u>(706,264)</u>	<u>(26,800)</u>	<u>(115,785)</u>	<u>(357,295)</u>	<u>(1,206,144)</u>
At 31st March 2023	<u>2,706,319</u>	<u>564,595</u>	<u>1,965,988</u>	<u>3,819,417</u>	<u>9,056,319</u>
Aggregate depreciation					
At 1st April 2021	1,709,593	426,242	1,252,224	3,011,743	6,399,802
Charge for the year	550,596	158,030	425,992	895,833	2,030,451
Written back	<u>(274,089)</u>	<u>(232,663)</u>	<u>(88,534)</u>	<u>(144,922)</u>	<u>(740,208)</u>
At 31st March 2022	1,986,100	351,609	1,589,682	3,762,654	7,690,045
Charge for the year	569,900	153,782	258,630	228,076	1,210,388
Written back	<u>(706,264)</u>	<u>(26,800)</u>	<u>(115,785)</u>	<u>(357,295)</u>	<u>(1,206,144)</u>
At 31st March 2023	<u>1,849,736</u>	<u>478,591</u>	<u>1,732,527</u>	<u>3,633,435</u>	<u>7,694,289</u>
Net book value					
At 31st March 2023	<u>856,583</u>	<u>86,004</u>	<u>233,461</u>	<u>185,982</u>	<u>1,362,030</u>
At 31st March 2022	<u>566,433</u>	<u>188,996</u>	<u>173,280</u>	<u>213,810</u>	<u>1,142,519</u>

## HONG KONG DANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

7) GENERAL ACTIVITIES

Included in the statement of comprehensive income of the Company are the following items which are related to general activities and Art Development Matching Grants Scheme.

	<u>General</u>	<u>Matching Grant</u>	<u>Total</u>	<u>Total</u>
	<u>2023</u>	<u>2023</u>	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>				
Government subvention	48,409,354	606,496	49,015,850	49,410,625
Other grants	4,525,747		4,525,747	968,955
Box office income	1,296,751		1,296,751	1,743,004
Outreach and education activities fees	3,083,121		3,083,121	2,776,057
Children Troupe membership and activities fees	5,236,573		5,236,573	4,651,601
Other performance fees	2,038,273		2,038,273	17,402
Donation and sponsorship	142,163		142,163	967,568
Bond interest income	85,282		85,282	85,389
Bank interest income	313,414	398	313,812	57,552
Membership fees	48,300		48,300	41,010
Miscellaneous income	264,994		264,994	248,230
	<u>65,443,972</u>	<u>606,894</u>	<u>66,050,866</u>	<u>60,967,393</u>
<u>Expenditure</u>				
Production costs	8,453,347	-	8,453,347	7,226,112
Staff costs	30,459,305		30,459,305	28,225,875
Marketing expenses	8,012,360	606,499	8,618,859	7,785,323
Outreach and education	2,536,571		2,536,571	2,077,260
Children Troupe	2,463,142		2,463,142	2,174,133
General overheads	11,742,133	-	11,742,133	12,806,388
	<u>63,666,858</u>	<u>606,499</u>	<u>64,273,357</u>	<u>60,295,091</u>
Surplus for the year	1,777,114	395	1,777,509	672,302
Balance at the beginning of the financial period	30,756,074	-	30,756,074	30,093,164
Fund transfer from Contestable Funding Schem	-	-	-	(9,392)
Balance at the end of the financial period	<u>32,533,188</u>	<u>395</u>	<u>32,533,583</u>	<u>30,756,074</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS7) GENERAL ACTIVITIES (continued)

During the year, separate bank account for the receipt of matching grants 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.

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Disaggregated by timing of revenue recognition</u>		
<u>Point in time</u>		
Box office income	1,296,751	1,743,004
Outreach and education activities fees	212,730	172,020
Children Troupe activities and courses fees	22,712	280,556
Other performance fees	2,038,273	17,402
Donation and sponsorship	142,163	967,568
Miscellaneous income	264,994	248,230
	<u>3,977,623</u>	<u>3,428,780</u>
<u>Over time</u>		
Government subvention	49,015,850	49,410,625
Other grants	4,525,747	968,955
Outreach and education activities fees	2,870,391	2,604,037
Children Troupe activities and courses fees	5,213,861	4,371,045
Membership fees	48,300	41,010
	<u>61,674,149</u>	<u>57,395,672</u>
	<u>65,651,772</u>	<u>60,824,452</u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS8) CONTESTABLE FUNDING SCHEME

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

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Government subvention	-	-
Interest income	-	-
	<u>-</u>	<u>-</u>
	-----	-----
<u>Expenditure</u>		
Production costs	-	-
Staff costs	-	-
Marketing expenses	-	-
General overheads	-	-
	<u>-</u>	<u>-</u>
	-----	-----
Deficit for the year	-	-
Balance at the beginning of the financial period	-	(9,392)
Transfer to general fund	-	9,392
	<u>-</u>	<u>9,392</u>
Balance at the end of the financial period	<u>-</u>	<u>(9,392)</u>

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 material arts and Chinese dance.

The fund received from the Government has been deposited into a separate local bank account with 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.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS9) ANTI-EPIDEMIC FUND

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

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Government subvention	2,202,910	120,000
	-----	-----
<u>Expenditure</u>		
Staff costs	2,097,020	-
General overheads	105,890	120,000
	-----	-----
	2,202,910	120,000
	-----	-----
Surplus for the year	-	-
Balance at the beginning of the financial period	-	-
	-----	-----
Balance at the end of the financial period	-	-
	=====	=====

In October 2021, the Company has granted a subsidy capped at \$2,232,000 to cover the full remuneration package for 9 placements with funding from the Anti-epidemic Fund Job Creation in the Private Sector (JCS 2.0). During the year, an amount of \$2,202,910 was to be disbursed by the Government as reimbursement of remuneration package of 9 placements (2022: HK\$120,000).

10) ART DEVELOPMENT MATCHING GRANTS SCHEME

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

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Income</u>		
Government subvention	606,496	4,295,243
Bank interest income	398	3,273
	-----	-----
	606,894	4,298,516
	-----	-----
<u>Expenditure</u>		
Marketing expenses	606,499	2,568,552
General overheads	-	1,729,970
	-----	-----
	606,499	4,298,522
	-----	-----
Surplus for the year	395	(6)
Balance at the beginning of the financial period	-	6
	-----	-----
Balance at the end of the financial period	395	-
	=====	=====

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS10) ART DEVELOPMENT MATCHING GRANTS SCHEME (continued)

The fund received from the Government has been deposited into a separate local bank account with interest-earned credited as income of the scheme per above.

During the year of 2022/23, the grant of HK\$606,496 received in 2023 (2022: HK\$4,295,243) was recognised as government subvention to subsidize the marketing and promotion expenditure for the dance season.

Another subsidy of HK\$1,210,474 (2022: HK\$606,496) was granted under Art Development Matching Grants Scheme in 2023 and will be used to subsidise the programmes production and audience building in the year of 2023/24. Therefore, the received amount of HK\$1,210,474 in March 2023 was credit to the "Deferred income-supplementary government subsidy" account in the statement of financial position as a current liability. When the related expenses incurred, the deferred income would be realized for the year ended 31st March 2024.

Deferred income-supplementary government subsidy

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
At the beginning of the year	606,496	4,295,243
Received during the year	1,210,474	606,496
Released to the statement of income and expenditure	<u>(606,496)</u>	<u>(4,295,243)</u>
At the end of the year	<u><u>1,210,474</u></u>	<u><u>606,496</u></u>

11) LEASES(a) Right-of-use assets

	Leasehold land and building
	<u>HK\$</u>
At cost	
At 1st April 2022	12,431,602
Additions	<u>(810,296)</u>
At 31st March 2023	<u>11,621,306</u>
Aggregate depreciation	
At 1st April 2022	11,207,557
Charge for the year	<u>(7,300,833)</u>
At 31st March 2023	<u><u>3,906,724</u></u>
Net book value	
At 31st March 2023	<u><u>7,714,582</u></u>
At 31st March 2022	<u><u>1,224,045</u></u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS11) LEASES (continued)(b) Lease liabilities

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
Non-current	3,746,449	-
Current	4,154,455	1,245,701
	<u>7,900,904</u>	<u>1,245,701</u>

(c) Other information

The total cash outflow for leases in 2023 was HK\$4,503,332 (2022: HK\$4,388,192).

12) OTHER FINANCIAL ASSETS

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets measured at</u> <u>amortized cost</u>		
- Bonds listed in Hong Kong	<u>3,150,904</u>	<u>3,154,966</u>

The market value of financial assets measured at amortized cost as at 31st March 2023 was HK\$2,981,050 (2022: HK\$:3,086,848).

13) 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 2023, the Company's accounts receivable was not past due nor impaired (2022: Nil).

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS14) CASH AND BANK BALANCES

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
Bank deposits with maturities of 3 months or less	20,879,743	20,008,827
Cash at banks and in hand	<u>10,895,327</u>	<u>11,235,710</u>
Cash and cash equivalents in the statement of cash flows	31,775,070	31,244,537
Bank deposits with maturities more than 3 months	<u>-</u>	<u>-</u>
Cash and cash equivalents in the statement of financial position	<u><u>31,775,070</u></u>	<u><u>31,244,537</u></u>

15) 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.

16) CONTRACT LIABILITIES

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
Supplementary subsidy received in advance	1,210,474	606,496
Deferred income received in advance	<u>3,374,889</u>	<u>3,181,814</u>
	<u><u>4,585,363</u></u>	<u><u>3,788,310</u></u>
		<u>2023</u>
		<u>HK\$</u>
Balance at 1st April 2022		3,788,310
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>797,053</u>
Balance at 31st March 2023		<u><u>4,585,363</u></u>



HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS17) OTHER CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	<u>Lease liabilities</u>
	<u>HK\$</u>
At 1st April 2022	<u>1,245,701</u>
Changes from financing cash flows:	
Capital element of finance lease rentals paid	(4,115,896)
Interest element of finance lease rentals paid	<u>(387,436)</u>
Total changes from financing cash flows	<u>(4,503,332)</u>
Other changes:	
New leases	10,771,099
Finance charges on finance leases	<u>387,436</u>
Total other changes	<u>11,158,535</u>
At 31st March 2023	<u><u>7,900,904</u></u>
	<u>Lease liabilities</u>
	<u>HK\$</u>
At 1st April 2021	<u>4,592,044</u>
Changes from financing cash flows:	
Capital element of finance lease rentals paid	(4,196,550)
Interest element of finance lease rentals paid	<u>(191,642)</u>
Total changes from financing cash flows	<u>(4,388,192)</u>
Other changes:	
New leases	850,207
Finance charges on finance leases	<u>191,642</u>
Total other changes	<u>1,041,849</u>
At 31st March 2022	<u><u>1,245,701</u></u>

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS18) FINANCIAL INSTRUMENTS BY CATEGORY

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Financial assets</u>		
Other financial assets	3,150,904	3,154,966
Financial assets measured at amortized cost		
Trade and other receivables excluding prepayments	3,448,378	1,135,338
Cash at bank balances	<u>31,775,070</u>	<u>31,244,537</u>
	<u>38,374,352</u>	<u>35,534,841</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Trade and other payables	<u>2,596,413</u>	<u>2,048,850</u>

The Company's exposure to various risks associated with the financial instruments is discussed in note 19. 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.

19) 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.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS19) FINANCIAL RISK MANAGEMENT - OBJECTIVES AND POLICIES (continued)

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 2023 and 2022.

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 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. To determine this ratio, such expenditure and reserve will be adjusted to write off the property, plant and equipment and right-of-use assets in the year of purchase.

The ratio of reserves balance net of accumulated donation and sponsorship income to total expenditure in the subvention period at 31st March 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
	<u>HK\$</u>	<u>HK\$</u>
<u>Reserves</u>		
General Fund	32,533,583	30,756,074
Less: Net book value of property, plant and equipment	(1,362,030)	(1,142,519)
Less: Net book value of right-of-use assets	(7,714,582)	(1,224,045)
Add: Lease liability	7,900,904	1,245,701
	<u>31,357,875</u>	<u>29,635,211</u>
Less: Accumulated donation and sponsorship income	<u>(16,850,316)</u>	<u>(16,708,153)</u>
	<u>14,507,559</u>	<u>12,927,058</u>
Expenditure in the subvention period	64,273,357	60,295,091
Net adjustment of property, plant and equipment	219,511	(802,381)
Net adjustment of right-of-use assets	(164,665)	98,163
Expenditure after adjustments in the year	<u>64,328,203</u>	<u>59,590,873</u>
Ratio	22.6%	21.7%

At 31st March 2023 and 2022, the reserves carried forward after deducting the accumulated donation and sponsorship income are not more than 25% of the total expenditure in the subvention period.

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS19) 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 2023 would increase/decrease by HK\$307,795 (2022: HK\$302,798).

20) 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 Culture, Sports and Tourism Bureau ("CSTB") of the Government, CSTB paid to the Company, in accordance with the terms of the Agreement, an annual subvention of HK\$46,206,444 for the year ended 31st March 2023 (2022: HK\$44,995,382) and a grant under the Art Development Matching Grants Scheme amounting HK\$1,210,474 (2022: HK\$606,496). During the year, CSTB has to disburse a subsidy amounting HK\$2,202,910 for creating 9 placements of Job Creation in Private Sector under the Anti-epidemic Fund for the year ended 31st March 2023 (2022: HK\$120,000).

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\$561,772 for the year ended 31st March 2023 (2022: HK\$609,717).

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\$3,524,318 for the year ended 31st March 2023 (2022: HK\$3,574,914).

During the year, the Company received a subsidy of HK\$2,052,000 (2022: HK\$Nil) from the Government under Anti-epidemic Fund-Employment Support Scheme.

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 Dance Artistic Internship Scheme, a grant of HK\$168,030 for the year ended 31st March 2023 (2022: HK\$109,238).

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 of "Hong Kong Week 2022@Wuhan, Hubei", a grant of HK\$170,000 for the year ended 31st March 2023 (2022: HK\$Nil).

HONG KONG DANCE COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTS20) RELATED PARTY TRANSACTIONS

Pursuant to the agreement during the year made between the Company and the Hong Kong Economic & Trade Office, Sydney, the Office paid to the Company, in accordance with the terms of the Agreement of the Event "Hong Kong Dance Company x Sydney Dance Company PPY: Convergence - A Journey of Chinese Dance & Martial Arts", a grant of HK\$629,937 for the year ended 31st March 2023 (2022: HK\$Nil).

Pursuant to the agreement during the year made between the Company and the Hong Kong Economic & Trade Office, Bangkok, the Office paid to the Company, in accordance with the terms of the Agreement of the Event "Cultural Performance in Bangkok", a grant of HK\$694,008 for the year ended 31st March 2023 (2022: HK\$Nil).

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