

**TOM LEE MUSIC FOUNDATION LIMITED**  
(incorporated in Hong Kong and limited by guarantee)

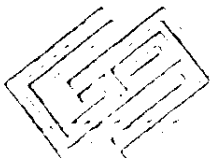
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

Certified true and correct by  
Company Secretary

*in full of*  
CONPAK MANAGEMENT CONSULTANTS LIMITED  
康柏管理顧問有限公司

.....  
*Authorized Signature(s)*

Conpak Management Consultants Limited  
Date: 10 November 2015



**陳黃鍾蔡會計師事務所**  
**CWCC** *Certified Public Accountants*

*www.cwccpa.com E-mail: cwcc@cwccpa.com*



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## **REPORT OF THE DIRECTORS**

The directors submit their report together with the audited financial statements for the year ended 31 December 2014.

### **PRINCIPAL ACTIVITY**

The principal activity of Tom Lee Music Foundation Limited ("the Company") is provision of musical training courses.

### **RESULTS**

The results of the Company for the year ended 31 December 2014 are set out on page 3 of the financial statements.

### **FIXED ASSETS**

Details of the movements in investment properties and property, plant and equipment are shown in notes 9 and 10 respectively to the financial statements.

### **DIRECTORS**

The directors during the year and up to the date of this report were :

Thomas T V Lee  
Betty S V Y Lee  
Frank K T Lee  
Henry K S Lee

In accordance with Article 41 of the Company's Articles of Association, all directors retire and, being eligible, offer themselves for re-election.

## **REPORT OF THE DIRECTORS (continued)**

### **DIRECTORS' INTERESTS**

No contracts of significance in relation to the Company's business to which the Company was a party and in which a director 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.

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

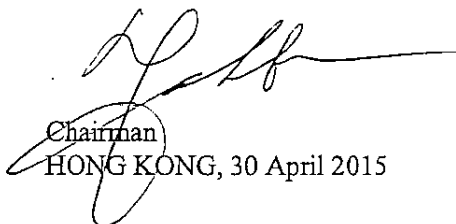
### **MANAGEMENT CONTRACTS**

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.

### **AUDITOR**

The financial statements have been audited by CWCC, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman  
HONG KONG, 30 April 2015

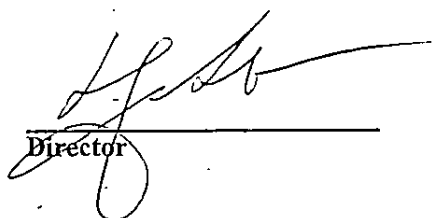
**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

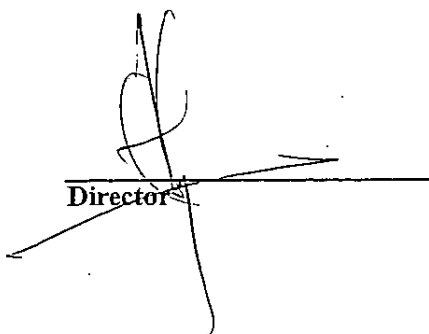
	Note	2014 HK\$	2013 HK\$
<b>Revenues</b>	2, 2, 4	71,217,855	78,855,145
<b>Other gains / (losses), net</b>	5	6,588	(242,687)
<b>Expenditure</b>			
Advertising expenses		(1,806,245)	(2,761,897)
Depreciation		(3,543,420)	(4,247,559)
Employee expenses		(40,318,102)	(44,408,472)
Property rental expenses under operating leases		(16,405,258)	(16,812,503)
Administrative and other operating expenses		<u>(11,269,856)</u>	<u>(12,141,604)</u>
<b>Deficit for the year</b>	6	(2,118,438)	(1,759,577)
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Total deficit and comprehensive loss for the year</b>		<u><u>(2,118,438)</u></u>	<u><u>(1,759,577)</u></u>

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	2014 HK\$	2013 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	9	9,414,849	9,833,287
Property, plant and equipment	10	<u>3,631,676</u>	<u>4,866,536</u>
		<u>13,046,525</u>	<u>14,699,823</u>
<b>Current assets</b>			
Inventories	11	492,663	437,778
Trade and other receivables	12	2,397,351	2,712,729
Amount due from a related company	13	91,995	368,173
Bank balances		<u>1,055,031</u>	<u>268,967</u>
		<u>4,037,040</u>	<u>3,787,647</u>
<b>TOTAL ASSETS</b>		<u><u>17,083,565</u></u>	<u><u>18,487,470</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated funds		<u>3,030,729</u>	<u>5,149,167</u>
<b>Non-current liability</b>			
Provision	14	<u>440,304</u>	<u>440,304</u>
<b>Current liabilities</b>			
Trade and other payables	15	6,872,685	7,790,943
Amount due to a member of the Company	13	<u>6,739,847</u>	<u>5,107,056</u>
		<u>13,612,532</u>	<u>12,897,999</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>17,083,565</u></u>	<u><u>18,487,470</u></u>

On behalf of the Board

  
 Director

  
 Director

*Tom Lee Music Foundation Limited*  
*(incorporated in Hong Kong and limited by guarantee)*  
*Financial statements for the year ended 31 December 2014*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Accumulated funds HK\$
At 1 January 2013	6,908,744
Deficit for the year	<u>(1,759,577)</u>
At 31 December 2013	<u>5,149,167</u>
At 1 January 2014	5,149,167
Deficit for the year	<u>(2,118,438)</u>
At 31 December 2014	<u>3,030,729</u>

**STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 HK\$	2013 HK\$
<b>Cash flows from operating activities</b>		
Deficit for the year	(2,118,438)	(1,759,577)
Adjustments for :		
Depreciation	3,543,420	4,247,559
Loss on write-off and disposal of property, plant and equipment	5,275	294,906
Provision for long service payment obligations	-	48,201
Inventory written off	-	9,700
Interest income	(43)	(62)
Operating surplus before working capital changes	1,430,214	2,840,727
Changes in working capital		
Inventories	(54,885)	71,133
Trade and other receivables	315,378	(410,285)
Amount due from a related company	276,178	1,334,935
Trade and other payables	(918,258)	726,738
Amount due to a member of the Company	1,632,791	(4,212,060)
Net cash generated from operating activities	2,681,418	351,188
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,957,664)	(1,560,173)
Sale proceeds from disposal of property, plant and equipment	62,267	77,438
Interest received	43	62
Net cash used in investing activities	(1,895,354)	(1,482,673)
Net increase / (decrease) in cash and cash equivalents	786,064	(1,131,485)
Cash and cash equivalents at the beginning of the year	268,967	1,400,452
Cash and cash equivalents at the end of the year	<u>1,055,031</u>	<u>268,967</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances	<u>1,055,031</u>	<u>268,967</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 GENERAL INFORMATION**

- (a) Tom Lee Music Foundation Limited (“the Company”) is engaged in the provision of musical training courses.
- (b) The Company is company limited by guarantee and incorporated in Hong Kong. The address of its registered office is 11/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) These financial statements are presented in Hong Kong dollars (HK\$).

### **2 PRINCIPAL ACCOUNTING POLICIES**

#### **2.1 Basis of preparation and changes in accounting policies**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), the collective term which 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 (“the HKICPA”) and accounting principles generally accepted in Hong Kong.

The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap 622), “Account and Audit”, which set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The financial statements have been prepared using the historical cost convention.

At 31 December 2014, the Company’s total current liabilities exceeded its current assets by HK\$9,575,492 (2013 : HK\$9,110,352). The ultimate holding company of a member of the Company has confirmed its intention to provide continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. The directors believe that the Company will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. There is no area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation and changes in accounting policies (continued)

##### (a) *New and amended standards adopted by the Company*

In the current year, the Company has applied for the first time, a number of new and revised standards, amendments, and interpretations ('new HKFRSs') issued by the HKICPA effective for accounting period beginning on or after 1 January 2014. The application of new HKFRSs in the current year has had no material effect on the financial statements of the Company.

##### (b) *Standards, amendments and interpretations to existing standards that are relevant to the Company but not yet effective and have not been early adopted by the Company*

Up to the date of this report, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these financial statements. None of these will have material effect on the financial statements of the Company.

In addition, the requirements of Part 9, "Account and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Company is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

#### 2.2 Revenue / Income recognition

Turnover comprises the fair value for tuition fees and registration fees.

Revenue / Income is recognized as follows :

##### (a) Tuition fees, registration fees, examination fees and management fees

Tuition fees, registration fees, examination fees and management fees are recognized when the services are rendered.

##### (b) Rental and commission income

Rental and commission received income are recognized on an accrual basis.

##### (c) Sales of goods

Revenue from sale of goods is recognized on the transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### 2.2 Revenue / Income recognition (continued)

##### (d) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

#### 2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows :

Leasehold properties	10%
Leasehold improvements	over the lease term
Furniture and fixtures	20%
Musical equipment	20%
Computer equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income.

#### 2.4 Investment properties

Leasehold land and buildings that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the property.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2 PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **2.4 Investment properties (continued)**

Subsequent expenditure is charged to the carrying amount of the investment property only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial year in which they are incurred.

Depreciation of investment property is calculated using the straight-line method to write off its cost less residual value over its estimated useful life.

The gain or loss arising from the disposal of an investment property is determined as the difference between the sale proceeds and the carrying amount of the investment property and is recognized in the statement of comprehensive income.

The investment property's residual value and useful life are reviewed, and adjusted if appropriate at each balance sheet date.

#### **2.5 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### **2.6 Impairment of assets**

Assets that have an indefinite useful life are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **2.7 Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. 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. Significant financial difficulties on the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2 PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **2.8 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks

#### **2.9 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### **2.10 Employee benefits**

##### **(a) Employee leave entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. Employee entitlements to sick leave and maternity leave are recognized until the time of leave.

##### **(b) Pension obligations**

The Company operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds:

The Company contributions to the defined contribution plan are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

##### **(c) Employment Ordinance long service payments**

Certain of the Company's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognized in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Company to the end of the reporting period.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2 PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **2.11 Foreign currency translation**

##### **(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in HK\$, which is the Company's functional and presentation currency.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

#### **2.12 Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the period of the lease.

#### **2.13 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **3 FINANCIAL RISK MANAGEMENT**

#### **3.1 Financial risk factors**

The Company is exposed to various types of risk which include credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme seeks to minimize the potential adverse effects it may have on the Company's financial performance.

##### **(a) Credit risk**

The Company has no significant concentrations of credit risk. It has policies in conducting credit assessment to new customers and to ensure that provision of services is made to customers with an appropriate credit history. Customers are requested to pay the tuition fees in advance.

The credit risk on liquid funds is limited because management would only place liquid funds with reputable bank with sound credit rankings. Management does not expect any losses from non-performance by the banks.

##### **(b) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its current obligations when they fall due.

The Company's financial liabilities mainly include trade and other payables and balance with a member of the Company. They were all due within one year as at 31 December 2014.

The Company also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. In addition, financial support from the ultimate holding company of the member is obtained to provide contingent liquidity support.

##### **(c) Interest rate risk**

The Company is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on deposits held at bank. However, the Company's income and operating cash flows are substantially independent of changes in market interest rates as there are no significant interest-bearing assets and liabilities.

#### **3.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide benefits for Company's members. The Company obtains the financial support from its members when necessary.

#### **3.3 Fair values and estimation thereof**

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2014 and 2013.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For option based derivative, the fair value is estimated using option pricing model. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values.

The following table gives information about how the fair values of these financial assets are determined (in particular the revaluation technique(s) and inputs used), as well as the level of the fair value hierarchy into which fair value measurements are categorized (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 4 REVENUES

	2014 HK\$	2013 HK\$
Tuition fees	66,482,192	73,482,332
Registration fees	356,450	441,890
Rental income		
- studio and music theatre	393,560	581,955
- investment properties	1,498,251	1,432,114
Advertising income	879,255	1,298,212
Examination fees	142,616	158,760
Sales of music books	791,497	899,905
Commission income	69,648	78,788
Management fee	18,000	14,400
Others	586,386	466,789
	<u>71,217,855</u>	<u>78,855,145</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 OTHER (LOSSES) / GAINS, NET

	2014 HK\$	2013 HK\$
Interest income	43	62
Net exchange gain	11,820	52,157
Loss on write-off and disposals of property, plant and equipment	<u>(5,275)</u>	<u>(294,906)</u>
	<u><u>6,588</u></u>	<u><u>(242,687)</u></u>

6 DEFICIT FOR THE YEAR

	2014 HK\$	2013 HK\$
Deficit for the year is stated after charging the following :		
Auditor's remuneration		
- current year	33,300	30,800
- underprovision in prior year	-	2,520
	33,300	33,320
Cost of inventories sold	783,519	899,048
Depreciation - investment properties	418,438	418,437
Depreciation - property, plant and equipment	3,124,982	3,829,122
Inventories written off	-	9,700
Staff costs (including directors' emoluments)		
- salaries	38,511,288	42,306,584
- pension costs - defined contribution plan	1,806,814	2,053,687
- termination benefits and long service payment obligations	-	48,201
	<u><u>40,318,102</u></u>	<u><u>44,408,472</u></u>

7 INCOME TAX

The Company is an approved charitable institution under Section 88 of the Inland Revenue Ordinance and is exempted from Hong Kong taxation. (2013 : nil)



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8 DIRECTORS' REMUNERATION**

None of the directors received any emoluments in respect of their services rendered to the Company during the year. (2013 : nil)

**9 INVESTMENT PROPERTIES**

HK\$

**Deemed cost**

At 1 January 2013, at 31 December 2013 and at 31 December 2014	10,670,160
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**Accumulated depreciation**

At 1 January 2013	418,436
Charge for the year	<u>418,437</u>

At 31 December 2013	836,873
Charge for the year	<u>418,438</u>

At 31 December 2014	<u><u>1,255,311</u></u>
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**Net book value**

At 31 December 2014	<u><u>9,414,849</u></u>
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At 31 December 2013	<u><u>9,833,287</u></u>
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At 31 December 2014, the fair value of the investment properties, with carrying amount of HK\$9,414,849 (2013 : HK\$9,833,287) based on directors' estimation with reference market transactions was HK\$40,000,000 (2013 : HK\$37,000,000). In estimating the fair value of the Company's investment properties for disclosure purpose, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company will refer to its bankers for the valuation of the Company's investment properties. At the end of each reporting period, the directors of the Company determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Company will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Company will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements and furniture and fixtures HK\$	Musical equipment HK\$	Computer equipment HK\$	Total HK\$
<b>Cost</b>				
At 1 January 2013	11,473,896	9,043,913	240,419	20,758,228
Additions	1,542,773	17,400	-	1,560,173
Written-off and disposals	(2,068,932)	(51,158)	(61,181)	(2,181,271)
Transfer to a member of the Company *	(84,458)	-	-	(84,458)
At 31 December 2013	10,863,279	9,010,155	179,238	20,052,672
Additions	1,786,774	164,790	6,100	1,957,664
Written-off and disposals	(704,124)	(56,733)	(5,456)	(766,313)
Transfer to a member of the Company *	(56,082)	-	-	(56,082)
At 31 December 2014	11,889,847	9,118,212	179,882	21,187,941
<b>Accumulated depreciation</b>				
At 1 January 2013	6,282,552	6,738,324	229,523	13,250,399
Charge for the year	2,925,766	895,729	7,627	3,829,122
Write-off and disposals	(1,761,074)	(20,998)	(60,592)	(1,842,664)
Transfer to a member of the Company *	(50,721)	-	-	(50,721)
At 31 December 2013	7,396,523	7,613,055	176,558	15,186,136
Charge for the year	2,357,876	764,847	2,259	3,124,982
Write-off and disposals	(693,254)	(40,462)	(5,456)	(739,172)
Transfer to a member of the Company *	(15,681)	-	-	(15,681)
At 31 December 2014	9,045,464	8,337,440	173,361	17,556,265
<b>Net book value</b>				
At 31 December 2014	<u>2,844,383</u>	<u>780,772</u>	<u>6,521</u>	<u>3,631,676</u>
At 31 December 2013	<u>3,466,756</u>	<u>1,397,100</u>	<u>2,680</u>	<u>4,866,536</u>

\* The Company acquired and disposed of leasehold improvements and furniture and fixtures and computer equipment from / to a member of the Company at net book value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 INVENTORIES

	2014 HK\$	2013 HK\$
Merchandises, net of provision	<u>492,663</u>	<u>437,778</u>

The cost of inventories recognized as expense and included in the Company's cost of sales amounted to HK\$492,663 (2013 : HK\$437,778).

12 TRADE AND OTHER RECEIVABLES

	2014 HK\$	2013 HK\$
Trade receivables	976,282	1,038,065
Deposits, prepayments and other receivables	<u>1,421,069</u>	<u>1,674,664</u>
	<u>2,397,351</u>	<u>2,712,729</u>

The above balances are denominated in Hong Kong dollar.

As at 31 December 2014 and 2013, the Company's trade receivables were fully performing.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

13 AMOUNTS DUE FROM A RELATED COMPANY / TO A MEMBER OF THE COMPANY

The amounts due from a related company / to a member of the Company are interest-free, unsecured and have no fixed terms of repayment.

14 PROVISION

	2014 HK\$	2013 HK\$
<u>Long service payment obligations</u>		
At the beginning of the year	440,304	392,103
Provision made during the year	<u>-</u>	<u>48,201</u>
At the end of the year	<u>440,304</u>	<u>440,304</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 TRADE AND OTHER PAYABLES

	2014 HK\$	2013 HK\$
Trade payables	174,941	509,227
Other payables and accruals	2,871,759	3,163,570
Tuition fees received in advance	<u>3,825,985</u>	<u>4,118,146</u>
	<u><u>6,872,685</u></u>	<u><u>7,790,943</u></u>

The carrying amounts of trade and other payables are denominated in the following currencies :

	2014 HK\$	2013 HK\$
Hong Kong dollar	6,871,583	7,712,372
Japanese yen	<u>1,102</u>	<u>78,571</u>
	<u><u>6,872,685</u></u>	<u><u>7,790,943</u></u>

16 LEASE COMMITMENTS

	2014 HK\$	2013 HK\$
(a) Total amount of operating lease commitments at 31 December payable, under non-cancellable leases, in respect of rented premises due		
- within one year	3,160,205	2,202,448
- after one year but within five years	<u>1,562,758</u>	<u>1,615,092</u>
	<u><u>4,722,963</u></u>	<u><u>3,817,540</u></u>
	2014 HK\$	2013 HK\$
(b) Total amount of operating lease commitments at 31 December receivable, under non-cancellable leases, in respect of rented premises due		
- within one year	1,584,000	851,613
- after one year but within five years	<u>936,774</u>	<u>-</u>
	<u><u>2,520,774</u></u>	<u><u>851,613</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions :

	2014 HK\$	2013 HK\$
Commission income received from a member of the Company (note a)	69,648	78,788
Property rental incomes		
- from a member of the Company (note b)	61,600	26,570
- from a related company (note b)	50,765	54,620
Management fee income from a related company (note c)	18,000	14,400
Staff costs recharged by a member of the Company (note d)	(916,781)	(951,804)
Property rentals recharged by a member of the Company (note e)	(1,567,052)	(1,607,449)
Advertising expense recharged by a member of the Company (note f)	(911,034)	(1,216,549)
Purchase of goods from a member of Company (note g)	(1,014,688)	(930,313)
Legal and professional fees recharged by a member of the Company (note h)	(23,720)	(25,719)
Repair and maintenance recharged by a member of the Company (note i)	<u>(261,211)</u>	<u>(209,098)</u>

- (a) Commission income received from a member of the Company was charged at a rate of 30% (2013 : 30%) on the profit from the sales of musical books for consignment sales of musical books
- (b) Property rental incomes were charged at terms mutually agreed.
- (c) Management fee income from a related company was charged at terms mutually agreed for the administrative and support services provided.
- (d) The Company shared certain staff with a member of the Company and was charged with percentages, ranging from 1.25% to 13% (2013 : 1.25% to 13%), of the actual relevant expenditures incurred by a member of the Company.
- (e) Property rentals were recharged by a member of the Company at terms mutually agreed.
- (f) Advertising expenses were recharged by a member of the Company on a cost basis.
- (g) Purchase of goods from a member of the Company was charged on a cost plus basis.
- (h) Legal and professional fees were recharged by a member of the Company on a cost basis.
- (i) Repair and maintenance were recharged by a member of the Company on a cost basis.

### 18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 3 to 20 were approved and authorized for issue by the board of directors on 30 April 2015.

Partners

DOUG OXLEY, FCPA (Non-practising)  
岳思理 會計師  
EDDIE K M CHAN, FCPA (Practising)  
陳健文 會計師  
THOMAS W S WONG, FCPA (Practising)  
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林秀華 會計師  
Principal  
EDDIE W H WONG, CPA  
黃偉康 會計師

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
TOM LEE MUSIC FOUNDATION LIMITED  
(incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Tom Lee Music Foundation Limited ("the Company") set out on pages 3 to 20, which comprise the balance sheet as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors 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 predecessor Hong Kong Companies Ordinance (Cap. 32) and the new Hong Kong Companies Ordinance (Cap. 622), whenever applicable, and for such internal control as the directors 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 and to report our opinion solely to you, as a body, in accordance with section 80 of the Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this 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 about whether the financial statements are free from material misstatement.

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

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(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 31 December 2014 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.

**CWCC**  
Certified Public Accountants

HONG KONG, 30 April 2015