

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

丁何關陳會計師行
TING HO KWAN & CHAN
Certified Public Accountants
HONG KONG

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

The council members submit their report together with the audited financial statements of Hong Kong Repertory Theatre Limited (the “Company”) for the year ended 31 March 2017.

Principal activities

The Company continued to be engaged in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

Results

The results of the Company for the year ended 31 March 2017 and the state of the Company’s affairs as at that date are set out in the financial statements on pages 5 to 36.

Property, plant and equipment

Details of the movements in property, plant and equipment are set out in note 9 to the financial statements.

Council members

The council members during the financial year and up to the date of this report were:

Dr. MONG Tak Yeung, David

Hon. YICK Chi Ming, Frankie, JP

Mr. SIU Chor Kee, BBS, MH, JP

Mr. CHAN Cheuk Chi

Mr. CHU Man Chung

Prof. LUK Yun Tong

Mr. MA Ching Cheng

Ms. AU Chor Kwan (appointed on 28 September 2016)

Mr. CHEUK Sin Cheong, Clement (appointed on 28 September 2016)

Dr. CHUNG Shui Ming, Timpson, GBS, JP (appointed on 28 September 2016)

Dr. Heather Ruth TING (appointed on 28 September 2016)

Ms. AU Ching Mei, Corona, MH (retired on 28 September 2016)

Ms. CHEUNG Sum Yu, Fiona, MH (retired on 28 September 2016)

Ms. CHING Yuen Man, Angela (retired on 28 September 2016)

Dr. Wai-man WOO, BBS (retired on 28 September 2016)

In accordance with Articles 39 to 40 of the Company’s Articles of Association, Dr. MONG Tak Yeung, David will retire by rotation but eligible for re-election in the forthcoming annual general meeting.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Council members' interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a council 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.

Arrangements to acquire shares or debentures

At no time during the year was the Company a party to any arrangement to enable the council members 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.

HONG KONG REPERTORY THEATRE LIMITED
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REPORT OF THE COUNCIL MEMBERS

Business review

Our Business

The Hong Kong Repertory Theatre Limited is the longest standing and largest professional theatre company in the city established in 1977 and incorporated in 2001. Being a non-profit-making organization and financially supported by the Government of the Hong Kong Special Administrative Region, the Company has presented more than 300 productions, many of which have become classics of the local theatre canon since its establishment.

The Company is committed in promoting theatre art through the production and development of high quality, innovative and diverse repertoires, encompassing Chinese, international, classic, and contemporary theatre, as well as original new works by local artists. Its areas of activities are:

A balance repertoire

A selected programme of local original works, and translations and adaptations of classic and contemporary plays from the Mainland and internationally. The Company collaborates with playwrights, directors, actors, designers and other talents within and outside of the Company, to create mainstream theatre productions of artistic excellence.

Black box theatre production

Flexible in approach, the Black Box Theatre provides a space where writers and practitioners can explore, take risks and experiment to create new material and modes of performances, in order to cultivate and stretch the boundaries of theatre arts.

Outreach and education

Bringing theatre to life through courses and workshops, the Company aims to provide theatre education and skills development for adults and children via the many facets of theatre. It also works to increase the audiences' awareness towards and appreciation of theatre through dedicated performances for students as well as the wide community.

International exchange

Through strengthening of exchanges with the Mainland and internationally, the Company tours regularly in order to promote Hong Kong's local theatre culture and to develop opportunities for collaborations and performances across the border and overseas.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Theatre literature

Through a varied programme of the new writing development, Reader's Theatre, seminars, review and publication of theatre literature, the Company aims to encourage, document, preserve and consolidate creative activities in theatre.

Financial Highlights

Total income

The total income of the Company of the year is HK\$59.46 million (2016: HK\$56.95 million), of which HK\$38.34 million (2016: HK\$38.37 million) were subventions received from the Government, accounted for 64.5% (2016: 67.4%) of its total income.

Government subsidies

Total Government subsidy comprises recurrent subvention from the Home Affairs Bureau of HK\$37.07 million, which is at the same level of the 2016 level, contestable funding for the "New Wrighting Series" HK\$1.00 million (2016: HK\$1.00 million), and from the Leisure and Cultural Services Department funding for the Arts Administrator Trainee Programmes HK\$0.27 million (2016: HK\$0.30 million).

Earned income

Total earned income of the year is HK\$21.12 million (2016: HK\$18.59 million). The rise of earned income in the year is mainly attributed to the increase in donation and sponsorship income from HK\$3.13 million in 2016 to HK\$5.31 million this year.

Expenditure

Total expenditure of the year is HK\$62.46 million (2016: HK\$58.93 million). The increase in expenditure is mainly due to the increase in production costs in the year (HK\$21.10 million in 2017 vs HK\$19.19 million in 2016), which is resulted from the additional costs incurred in inviting 5 overseas theatre companies to participate in the "International Black Box Festival 2016" and the introduction of live band music in the musical *Field of Dreams 2017 Live+*.

Net result of the year

With the additional expenditure incurred this year, the Company ends up with a deficit of HK\$3.00 million in 2017 (2016: deficit HK\$2.00 million).

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Liquidity

The Company regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves and bank balances to meet its liquidity requirement in the short and longer term. As at 31 March 2017, the total cash and bank deposits of the Company is HK\$18.49 million (2016: HK\$20.52 million) and its current ratio (current assets/current liabilities) is 2.3 (2016: 2.8).

Key Performance Indicators

No. of performances/activities and audience/participants

During the year, the Company presented 8 main stage productions, 7 black box productions and 10 co-productions, totaling 25 productions in all with 230 performances in aggregate (2016: 7 main stage productions, 8 black box productions, 11 co-productions, totaling 430 performances). The significant high no. of performances in 2016 is mainly attributed to presentation of 199 rounds *Etiquette* at a coffee shop to provide theatrical experience to the 2 audiences/participants at each round. As a result of increase in main stage productions in 2017, total no. of audience increases from 54,288 in 2016 to 57,014 this year. Average attendance of the year is at 86% (2016: 87%).

In year 2017, the Company organized 9 overseas tours with total 57 performances and activities, attracting 12,937 audiences/participants (2016: 13 tours, 61 performances and activities, 18,667 audiences/participants).

The Outreach and Education Unit of the Company conducted a total of 1,980 sessions of activities involving 83,386 participants during the year (2,169 sessions and 75,830 participants in 2016). The rise in no. of participants in the year is resulted from the increase of participants in the Charles K. Kao Foundation for Alzheimer's Disease school project (21,593 in 2017 vs 7,200 in 2016), notwithstanding that there is a decline in no. of activities in the year in "Drama-in-Education" (26 in 2017 vs 118 in 2016) and "Drama Courses and Seminars" (1,477 in 2017 vs 1,553 in 2016).

HONG KONG REPERTORY THEATRE LIMITED
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REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Awards and Honours

At the 26th Hong Kong Drama Awards, the Company received 20 nominations and 8 award honours:

- *1894 Hong Kong Plague* - a Musical
Best Supporting Actor (Tragedy/Drama)
- *Three Brothers*
Best Director (Tragedy/Drama), Outstanding Production of the Year
- *Hu Xueyan, My Dear*
Best Actor (Tragedy/Drama), Best Lighting Design, Best Music, Best Overall Performance and Outstanding Production of the Year.

The Company's black box productions *Roads to Chicken Pie* and *An Unjust Good Fellow* were awarded Outstanding Actor and Best Script respectively at the 9th Hong Kong Theatre Libre Awards.

At the 10th Chinese Drama Festival (Hong Kong 2016), *Footprints in the Snow* won the Excellent Production and Excellent Actor awards.

Compliance with Relevant Laws and Regulations

The Company is committed to operate in compliance with all relevant laws and regulations. Whenever needs arise, the Company will consult the Honorary Legal Advisor it engaged.

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

Environmental Policies and Performances

This is Hong Kong Repertory Theatre's ongoing concern to ensure that it is always an environmentally friendly company. The Company is committed to observe all environmental principles of conservation of energy and minimization of waste. The Company works with its employees, directors, designers and other partners consciously making sure that all items produced for performances and activities, including sets, props and costumes, are in the manner of resources conservation and reduction of waste.

HONG KONG REPERTORY THEATRE LIMITED
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REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Key Relationship with Stakeholders

Being a Government subvented non-profit-making organization, the Company follows suit and observes all regulations and requirements specified by the Government. As its application of fund is accountable to stakeholders like the Government and sponsors, the Company seeks to operate in a transparency manner, discloses information through various communication channels to allow the public and stakeholders to have a clear and through picture of the work and result of the Company.

The Company considers its employees as valuable assets. Internal operating policy is in place to ensure the performance of staff employed are properly monitored, fairly assessed and rewarded, contract renewal and termination of staff are properly executed. Through the Staff Development Training Assistance Scheme, eligible staff are given opportunities and financial supports for development of their potential, enhancement of professional knowledge and improvement of work efficiency.

To facilitate the Company to improve and enhance its productions, as well as to review and further refine its marketing strategy, the Company collects views and comments from its audience by inviting them to complete survey questionnaires distributed at all its performance venues. The Company partnered with The Chinese University of Hong Kong's Psychology of Theatre Research Group to conduct face-to-face audience surveys at selected performances, to gauge the audience level of satisfaction on various aspects of the Company, their preferences on the type of production, their profile and media habits.

To enable the disables to enjoy theatre shows, the Company worked with the Arts with the Disabled Association Hong Kong to provide accessible captions (Chinese), theatrical interpretation, and/or audio description (Cantonese) at 4 selected performances of different productions during the year.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Business review (continued)

Principal Risks and Uncertainties

Business risk

Government funding represents a significant part of the source of income of the Company. Any changes to the Government policy on its subvention to the Company may have vital effect on the future development of the Company.

Changes in economic condition will have direct impact on consumers spending on cultural and leisure goods. Theatre-going is not a necessity product for most of the public, economic depression may affect the Company's performance adversely.

Financial risk

Details of the financial risks faced by the Company are set out in Note 19 to the Financial Statements.

Subsequent Events

There is no particular important events occurred since the end of the financial year that may significantly affect the Company.

Future Development

As the city's flagship theatre company, the Hong Kong Repertory Theatre will continue to adhere to the mainstream works, lay stress on dramatic text, and explore new materials and modes, in a view to develop the audiences' interest and appreciation of life theatre for enriching the city's cultural life. In addition, the Company will continue to organize arts education programme for schools as well as holding regular and structured courses for different levels of learners. The Company will further explore cross-border cultural exchanges and sourcing more performance opportunities in the Mainland as well as other territories to ultimately forge a stronger, more distinctive and truly world-class identity.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
REPORT OF THE COUNCIL MEMBERS

Permitted indemnity and Council Members' and officers' liability insurance

There being no provision in the Company's Articles of Association for the permitted indemnity and liability insurance coverage for the Council Members and officers of the Company, and subject to the provisions of the Hong Kong Companies Ordinance (Cap. 622), the Company has not arranged appropriate liability insurance cover for the Council Members and officers of the Company during the year.

Auditors

Ting Ho Kwan & Chan, Certified Public Accountants retire and, being eligible, offer themselves for re-appointment.

On behalf of the Council

Dr. MONG Tak Yeung, David
Chairman

Hong Kong, 25 JUL 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED

(incorporated in Hong Kong with limited liability by guarantee)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Hong Kong Repertory Theatre Limited (the "Company") set out on pages 5 to 36, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, the statement of changes in equity and the 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 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED
(incorporated in Hong Kong with limited liability by guarantee)

Other information

The council members are responsible for the other information. The other information comprises the report of the council members and detailed income statement of the Company shown in the Appendix, 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 council members for the financial statements

The council members are responsible for the preparation of 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 council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council 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 council members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The council members are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED

(incorporated in Hong Kong with limited liability by guarantee)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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 HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.
- Conclude on the appropriateness of the council 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE HONG KONG REPERTORY THEATRE LIMITED
(incorporated in Hong Kong with limited liability by guarantee)

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

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

We communicate with the council members 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.

Report on other matters under the Agreement made on 5 April 2016 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.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)
9/F., Tung Ning Building,
249-253 Des Voeux Road Central,
Hong Kong,

25 JUL 2017

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK\$	As restated 2016 HK\$
Income			
Government subvention		38,340,151	38,365,128
Box office and performance income		9,297,897	8,995,127
Outreach, education and other activities income		6,284,362	6,203,032
Donation and sponsorship		5,305,300	3,133,920
Other income	5	234,698	252,941
		<u>59,462,408</u>	<u>56,950,148</u>
Expenditures			
Production costs		21,095,998	19,188,140
Marketing and promotion expenses		4,405,996	4,412,560
Personal emoluments		27,373,794	26,259,150
Other operating expenses		9,582,470	9,069,943
		<u>62,458,258</u>	<u>58,929,793</u>
Deficit for the year	6	(2,995,850)	(1,979,645)
Other comprehensive income		-	-
Total comprehensive deficit for the year		<u>(2,995,850)</u>	<u>(1,979,645)</u>
Total comprehensive deficit for the year allocated to			
General activities	13	(3,334,401)	(1,043,350)
Contestable funding pilot scheme	14	(30,362)	23
Drama in pre-primary education project	15	(13,918)	(1,116,382)
Development fund	16	382,831	180,064
		<u>(2,995,850)</u>	<u>(1,979,645)</u>

The notes on pages 10 to 36 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	9	<u>700,876</u>	<u>1,198,078</u>
Current assets			
Prepayments	10	2,990,556	2,556,810
Deposits and accounts receivable	10	2,928,905	1,832,658
Bank term deposits	11	12,924,429	3,473,125
Cash and cash equivalents	11	<u>5,561,327</u>	<u>17,050,834</u>
		<u>24,405,217</u>	<u>24,913,427</u>
Current liabilities			
Box office and performance income and others received in advance	12	6,794,514	5,912,626
Accounts payable and accruals	12	<u>3,955,870</u>	<u>2,847,320</u>
		<u>10,750,384</u>	<u>8,759,946</u>
Net current assets		<u>13,654,833</u>	<u>16,153,481</u>
Net assets		<u>14,355,709</u>	<u>17,351,559</u>

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2017

	Notes	2017 HK\$	2016 HK\$
RESERVES			
General activities	13	10,460,033	13,596,124
Contestable funding pilot scheme	14	377	49
Drama in pre-primary education project	15	-	242,918
Development fund	16	3,895,299	3,512,468
Total reserves		<u>14,355,709</u>	<u>17,351,559</u>

The financial statements were approved and authorised for issue by the Council on 25 JUL 2017 and are signed on its behalf by:

Dr. MONG Tak Yeung, David
CHAIRMAN

Mr. CHAN Cheuk Chi
TREASURER

The notes on pages 10 to 36 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	General activities (note 13) HK\$	Contestable funding pilot scheme (note 14) HK\$	Drama in pre-primary education project (note 15) HK\$	Development fund (note 16) HK\$	Total HK\$
Total reserves at 1 April 2015	14,639,474	26	1,359,300	3,332,404	19,331,204
Total comprehensive surplus/ (deficit) for the year, as restated	(1,043,350)	23	(1,116,382)	180,064	(1,979,645)
Total reserves at 31 March 2016	13,596,124	49	242,918	3,512,468	17,351,559
Total comprehensive surplus/ (deficit) for the year	(3,334,401)	(30,362)	(13,918)	382,831	(2,995,850)
Fund transfer	198,310	30,690	(229,000)	-	-
Total reserves at 31 March 2017	10,460,033	377	-	3,895,299	14,355,709

The notes on pages 10 to 36 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	2017	As restated
	HK\$	2016
		HK\$
Operating activities		
Deficit for the year	(2,995,850)	(1,979,645)
Adjustments for:		
Interest income	(88,399)	(71,174)
Depreciation	1,260,520	1,262,028
Gain on disposal of property, plant and equipment	-	(24,542)
Operating cash flows before changes in working capital	(1,823,729)	(813,333)
Prepayments	(433,746)	(710,282)
Deposits and accounts receivable	(1,096,247)	3,013,467
Bank term deposits	(9,451,304)	4,962,658
Box office and performance income and others received in advance	881,888	2,931,406
Accounts payable and accruals	1,108,550	(102,917)
Net cash (used in)/generated from operating activities	(10,814,588)	9,280,999
Investing activities		
Payment for the purchase of property, plant and equipment	(763,318)	(575,998)
Proceeds for disposal of property, plant and equipment	-	24,542
Interest received	88,399	71,174
Net cash used in investing activities	(674,919)	(480,282)
Net (decrease)/increase in cash and cash equivalents	(11,489,507)	8,800,717
Cash and cash equivalents at the beginning of the year	17,050,834	8,250,117
Cash and cash equivalents at the end of the year (note 11)	5,561,327	17,050,834

The notes on pages 10 to 36 are an integral part of these financial statements.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 General information

Hong Kong Repertory Theatre Limited (the “Company”) is a company incorporated in Hong Kong with its liabilities limited by guarantee. Under the provisions of the Company’s memorandum of association, every member shall, in the event of the Company being wound up, to 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 and principle place of business is 4/F., Sheung Wan Municipal Services Building, 345 Queen’s Road Central, Hong Kong. Its principal activities continued to be engaged in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

2 Statement of compliance with Hong Kong Financial Reporting Standard

The Company’s financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Company is set out in note 3.

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

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Company. Note 4 provides information on the 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.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3 Summary of significant accounting policies

(a) Basis of preparation of the financial statements

(i) The measurement basis used in preparing the financial statements is historical cost.

(ii) Restatement of income statements

- a. During the year, the council members consider that it is more appropriate to reclassify certain expenditures of insurance, laundry services, official overseas visit, phototaking and video recording under “production costs” in instead of “other operating expenses”. Besides, the council members consider that it is more appropriate to reclassify certain revenue under “outreach, education and other activities income” instead of “box office and performance income”.

Accordingly, other operating expenses of HK\$503,302 for the year ended 31 March 2016 were reclassified to productions costs of HK\$503,302 for the year ended 31 March 2016 to conform to the current year’s presentation. Box office and performance income of HK\$45,900 was reclassified to outreach, education and other activities income of HK\$45,900 for the year ended 31 March 2016 to conform to the current year’s presentation. Certain comparative figures have been restated in respect of this matter and the effects are shown as below reconciliation.

- b. During the year, the council members also consider that it is more appropriate to present the statement of comprehensive income covered all the activities performed by the Company including both subvented and non-subvented. In prior years, non-subvented activities are separately recorded as "Development fund" and disclosed in the note to the financial statements without combined with the subvented activities.

As a result of this change, prior years’ profit or loss would be changed as follows: the income increased by HK\$341,691, expenditures increased by HK\$161,627 and the total comprehensive income was increased by HK\$180,064. Certain comparative figures have been restated in respect of this matter and the effects are shown as below reconciliation.

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3 Summary of significant accounting policies (Continued)

(a) Basis of preparation of the financial statements (continued)

(ii) Restatement of income statements (continued)

Reconciliation

The following reconciliations show the effects of the above matter on the Company's expenditure for the year ended 31 March 2016.

	As previously reported	Effects on matters as stated (increase/ (decrease) results for the year)		As restated
	HK\$	(a) HK\$	(b) HK\$	HK\$
For the year ended 31 March 2016:				
INCOME:				
Government subvention	38,365,128	-	-	38,365,128
Box office and performance income	9,041,027	(45,900)	-	8,995,127
Outreach, education and other activities income	6,157,132	45,900	-	6,203,032
Donation and sponsorship	2,810,110	-	323,810	3,133,920
Other income	235,060	-	17,881	252,941
	<u>56,608,457</u>	<u>-</u>	<u>341,691</u>	<u>56,950,148</u>
EXPENDITURES:				
Production costs	18,524,038	503,302	160,800	19,188,140
Marketing and promotion expenses	4,412,560	-	-	4,412,560
Personal emoluments	26,259,150	-	-	26,259,150
Other operating expenses	9,572,418	(503,302)	827	9,069,943
	<u>58,768,166</u>	<u>-</u>	<u>161,627</u>	<u>58,929,793</u>
Deficit for the year	(2,159,709)	-	180,064	(1,979,645)
Other comprehensive income	-	-	-	-
Total comprehensive deficit for the year	(2,159,709)	-	180,064	(1,979,645)

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3 Summary of significant accounting policies (Continued)

(a) Basis of preparation of the financial statements (continued)

(ii) Restatement of income statements (continued)

Reconciliation (continued)

	As previously reported	Effects on matters as stated (increase/ (decrease) results for the year)		As restated
	HK\$	(a) HK\$	(b) HK\$	HK\$
Total comprehensive deficit for the year allocated to				
General activities	(1,043,350)	-	-	(1,043,350)
Contestable funding pilot scheme	23	-	-	23
Drama in pre-primary education projects	(1,116,382)		-	(1,116,382)
Development fund	-	-	180,064	180,064
	<u>(2,159,709)</u>	<u>-</u>	<u>180,064</u>	<u>(1,979,645)</u>

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3 Summary of significant accounting policies (Continued)

(b) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	3 years
Office and computer equipment	3 years
Audio and stage equipment	3 years

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

The Company assesses at the end of each reporting period whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Company estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in the statement of comprehensive income.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in the statement of comprehensive income on the date of retirement or disposal.

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3 Summary of significant accounting policies (Continued)

(c) Deposits and accounts receivable

Deposits and accounts receivable are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less any allowance for impairment of bad and doubtful debts, except for the following receivables:

- short-term receivables without stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts; and
- interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts.

At the end of each reporting period, the Company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed, through profit or loss if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and at bank, demand deposits with bank and other financial institutions, and short-term, highly liquid investments that are readily convertible to 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.

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3 Summary of significant accounting policies (Continued)

(e) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and subsequently stated at amortised cost, except for the following payables:

- short-term payables without stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and
- interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(f) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(g) Income tax

The Company is a non-profit-making charitable organisation and the charge for Hong Kong taxation is exempted. Therefore, deferred taxation is not accounted for in these financial statements.

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3 Summary of significant accounting policies (Continued)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Provided it is probable that the economic benefits will flow to the Company and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Government subvention are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and conditions and requirement attached to them as stipulated in the agreement entered with the Government can be fulfilled. Grants that compensate the Company for expenses incurred are recognised as government subvention in profit or loss on a systematic basis in the same periods in which the expense are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.
- (ii) Box office and performance income and outreach, education and other activities income are recognised when the performance presented.
- (iii) Donations received is recognised on cash receipt basis or in the period as specified by the donor.
- (iv) Other income is recognised on cash receipt and accrual basis.
- (v) Interest income is recognised using the effective interest method.

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3 Summary of significant accounting policies (Continued)

(i) Employee benefits

(i) Paid leave carried forward

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.

(ii) Retirement benefit costs

The Company operates a defined contribution 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’ basic 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.

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3 Summary of significant accounting policies (Continued)

(j) Operating leases

Lease where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases.

Where the Company is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease period.

(k) Development fund

The development fund is used for non-subvented projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The income and expenditure of the development fund is separated from that for Government Subvention's through the Secretary of Home Affairs. The fund is to be used for matching any recurrent and non-recurrent financial commitments created by acceptance of donation for specific purpose.

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3 Summary of significant accounting policies (Continued)

(I) Related parties

(1) 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.

(2) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are member 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 group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has 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 apart, provides key management personal services to the Company or to the parent of the Company.

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.

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4 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Company. None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods has prepared or presented.

The Company has not early applied any new standard, amendment or interpretation that has been issued but not yet effective for the current accounting period (see note 22).

5 Other income

	2017	As restated
	HK\$	2016
		HK\$
Advertisement income	15,200	30,650
Bank interest income	88,399	71,174
Gain on disposal of property, plant and equipment	-	24,542
Membership income	24,400	23,400
Rental of props, costume and equipment	32,030	61,450
Souvenirs sales and royalty income	64,945	32,821
Sundry income	9,724	8,904
	<u>234,698</u>	<u>252,941</u>

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6 Deficit for the year

	2017	2016
	HK\$	HK\$
Deficit for the year is arrived at after charging:		
Auditors' remuneration	58,500	38,500
Depreciation	1,260,520	1,262,028
Operating leases:		
- office premises rental	4,425,697	3,771,774
- venue rental	3,409,390	3,153,773
Staff costs:		
- salaries and allowances	26,400,097	25,310,053
- MPF contributions	973,697	949,097
- temporary and part-time staff	34,056	45,157
- training and welfare	236,959	161,948

7 Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as there is no tax liability for the Company under Section 88 of the Inland Revenue Ordinance. Accordingly, no deferred tax has been accounted for.

8 Council members' emoluments

None of the Council members received or will receive any fees or emoluments in respect of their services to the Company for the year (2016: Nil).

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9 Property, plant and equipment

	Furniture and fixtures HK\$	Office and computer equipment HK\$	Audio and stage equipment HK\$	Total HK\$
Cost				
At 1 April 2015	2,280,681	1,394,485	5,645,674	9,320,840
Additions	174,758	120,440	280,800	575,998
Disposals	-	(121,816)	(68,124)	(189,940)
At 31 March 2016	2,455,439	1,393,109	5,858,350	9,706,898
Additions	13,300	136,539	613,479	763,318
Disposals	-	-	(19,200)	(19,200)
At 31 March 2017	2,468,739	1,529,648	6,452,629	10,451,016
Accumulated depreciation				
At 1 April 2015	1,894,837	1,127,829	4,414,066	7,436,732
Charge for the year	264,870	185,218	811,940	1,262,028
Written back on disposal	-	(121,816)	(68,124)	(189,940)
At 31 March 2016	2,159,707	1,191,231	5,157,882	8,508,820
Charge for the year	241,912	207,246	811,362	1,260,520
Written back on disposal	-	-	(19,200)	(19,200)
At 31 March 2017	2,401,619	1,398,477	5,950,044	9,750,140
Net book value				
At 31 March 2017	67,120	131,171	502,585	700,876
At 31 March 2016	295,732	201,878	700,468	1,198,078

10 Prepayments, deposits and accounts receivable

Apart from the deposits amounted to HK\$426,570 (2016: HK\$440,859), all the remaining balances are expected to be recovered or recognised as expenses within one year and are neither past due nor impaired. The maximum exposure to credit risk at the end of the reporting period is the carrying value as mentioned in the financial statements. The Company does not hold any collateral as security.

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11 Bank term deposits/cash and cash equivalents

	2017	2016
	HK\$	HK\$
Cash at banks and in hand	505,716	4,191,474
Bank deposits	17,980,040	16,332,485
	<u>18,485,756</u>	<u>20,523,959</u>
Less: Bank deposits matured beyond 3 months at acquisition	12,924,429	3,473,125
Cash and cash equivalents in the statement of financial position and the statement of cash flows	<u>5,561,327</u>	<u>17,050,834</u>

The effective interest rates on short term deposits were ranged from 0.01% to 0.9% (2016: 0.01% to 0.65%) per annum. These deposits have an average duration of maturity ranged from 2 months to 6 months (2016: 3 months to 6 months).

12 Box office and performance income and others received in advance and accounts payable and accruals

They are expected to be settled or recognised as income within one year or are payable on demand.

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13 General activities

	2017	2016
	HK\$	HK\$
Income:		
Government subvention	37,344,332	37,373,546
Box office and performance income	8,981,829	8,649,958
Outreach, education and other activities income	6,278,642	6,133,672
Donation and sponsorship income	4,707,373	2,810,110
Other income	211,122	234,875
	<u>57,523,298</u>	<u>55,202,161</u>
Expenditures:		
Production cost	20,105,289	17,173,723
Marketing and promotion expenses	4,217,086	4,201,654
Personal emolument	27,226,083	25,877,956
Other operating expenses	9,309,241	8,992,178
	<u>60,857,699</u>	<u>56,245,511</u>
Deficit for the year	(3,334,401)	(1,043,350)
Balance at the beginning of the financial period	13,596,124	14,639,474
Fund transfer to contestable funding pilot scheme (note 14)	(30,690)	-
Fund transfer from drama in pre-primary education project (note 15)	229,000	-
Balance at the end of the financial period	<u>10,460,033</u>	<u>13,596,124</u>

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13 General activities (Continued)

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 expenditures 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. In determine this ratio, such expenditure and reserve will be adjusted to write off the property, plant and equipment in the year of purchase.

The ratio of reserves balance net of accumulated donation and sponsorship income to total expenditures in the subvention period at 31 March 2017 and 2016 are as follows.

	2017 HK\$	2016 HK\$
Reserves		
Accumulated surplus	10,460,033	13,596,124
Drama in pre-primary education project	-	242,918
	<u>10,460,033</u>	<u>13,839,042</u>
Less: Net book value of property, plant and equipment	700,876	1,198,078
	<u>9,759,157</u>	<u>12,640,964</u>
Less: Accumulated donation and sponsorship income	17,661,127	12,953,754
	<u>(7,901,970)</u>	<u>(312,790)</u>
Expenditures in the subvention period after adjustments to write off property, plant and equipment in the year of purchase and net off the costs met by other Government funds	<u>60,132,472</u>	<u>56,436,457</u>
Ratio	<u>(13.1%)</u>	<u>(0.6%)</u>

At 31 March 2017 and 2016, the reserves carried forward after deducting the accumulated donation and sponsorship income are less than 25% of the total expenditures in the subvention period.

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14 Contestable funding pilot scheme

(a) New-wrighting series

	2017	2016
	HK\$	HK\$
Second round		
Income:		
Government subvention	995,819	991,582
Box office and performance income	316,068	345,169
Outreach, education and other activities income	5,720	6,920
Other income	-	136
	<u>1,317,607</u>	<u>1,343,807</u>
Expenditures:		
Production cost	994,439	961,401
Marketing and promotion expenses	138,507	149,620
Personal emolument	147,711	188,977
Other operating expenses	67,640	43,835
	<u>1,348,297</u>	<u>1,343,833</u>
Deficit for the year	(30,690)	(26)
Balance at the beginning of the financial period	-	26
Fund transfer from general activities (note 13)	30,690	-
Balance at the end of the financial period	<u>-</u>	<u>-</u>

During the year, the second agreement entered with the Government on 15 January 2015 had been completed and a total grant of HK\$1,987,401 was recognised as government subvention in the two years of 2016 and 2017 upon the completion and finalisation of the series, and a deficit of HK\$30,690 was recorded. The deficit was then transferred under the General Activities Accumulated Surplus of the Company.

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14 Contestable funding pilot scheme (Continued)

(b) Purchase of intelligent moving light system

	2017 HK\$	2016 HK\$
Income:		
Other income	301	49
Surplus for the year	<u>301</u>	<u>49</u>
Balance at the beginning of the financial period	49	-
Balance at the end of the financial period	<u><u>350</u></u>	<u><u>49</u></u>

The Company has entered agreement with the Government on 15 January 2016, under which a total grant of HK\$3,417,000 would be received from the Government for the purpose of purchasing Intelligent Moving Lighting System. Up to the reporting date, total amount of HK\$3,075,300 (2016: HK\$3,075,300) was received and credited to "Box office and performance income and others received in advance" account in the statement of financial position as a current liability as the works of the proposal was in progress. The liability would be transferred as government subvention when the prescribed assets are purchased. The fund received from the Government has been deposited in a separate local bank account with the interest earned from it credited as an 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.

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14 Contestable funding pilot scheme (Continued)

(c) Open platform

	2017 HK\$	2016 HK\$
Income:		
Other income	27	-
Surplus for the year	<u>27</u>	<u>-</u>
Balance at the beginning of the financial period	-	-
Balance at the end of the financial period	<u><u>27</u></u>	<u><u>-</u></u>

The Company has entered agreement with the Government on 18 January 2017, under which a total grant of HK\$2,200,000 would be received from the Government for the same purpose and principle as the first and second agreement of the New-wrighting series. Up to the reporting date, total amount of HK\$1,980,000 was received and credited to “Box office and performance income and others received in advance” account in the statement of financial position as a current liability as the works of the programme was only started shortly and remained at its very beginning stage. The liability would be transferred as government subvention according to the funding requirement of the programmes performed in the following years. The fund received from the Government has been deposited in a separate local bank account with the interest earned from it credited as an income of the programme per above. The Company would bear the excess expenditure, if any, upon the completion and finalisation of the series. 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.

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15 Drama in pre-primary education project

	2017 HK\$	2016 HK\$
Income:		
Outreach, education and other activities income	-	62,440
Expenditures:		
Production cost	(12,130)	892,216
Marketing and promotion expenses	23,587	61,286
Personal emolument	-	192,217
Other operating expenses	2,461	33,103
	<u>13,918</u>	<u>1,178,822</u>
Deficit for the year	(13,918)	(1,116,382)
Balance at the beginning of the financial period	242,918	1,359,300
Fund transfer to general activities (note 13)	(229,000)	-
Balance at the end of the financial period	<u>-</u>	<u>242,918</u>

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16 Development fund

	2017	2016
	HK\$	HK\$
Income:		
Donation and sponsorship income	597,927	323,810
Other income	23,248	17,881
	<u>621,175</u>	<u>341,691</u>
Expenditures:		
Production cost	8,400	160,800
Marketing and promotion expenses	26,816	-
Other operating expenses	203,128	827
	<u>238,344</u>	<u>161,627</u>
Surplus for the year	382,831	180,064
Balance at the beginning of the financial period	3,512,468	3,332,404
Balance at the end of the financial period	<u>3,895,299</u>	<u>3,512,468</u>

The development fund is used for non-subvented projects which fall outside the ambit of Government Subvention through the Secretary of the Home Affairs. The profit or loss of the development fund was separated from that for Government Subventions through the Secretary of the Home Affairs as the fund did not come from that source of subvention.

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17 Commitments

Operating lease commitments

At 31 March 2017, the Company's total future minimum lease payments under non-cancellable operating leases is payable as follows:

	2017 HK\$	2016 HK\$
Land and buildings		
Within one year	4,443,960	4,280,159
After one year and within five years	3,783,703	7,491,323
	<u>8,227,663</u>	<u>11,771,482</u>

The Company leases certain office premises initially for a term of 2 to 3 years with fixed monthly rental. None of the leases include contingent rentals.

18 Capital risk management

The Company is a corporation limited by guarantee without having a share capital. Hence the Company's capital comprises of the accumulated surplus which is subject to a specified level allowable to keep under the funding agreement entered with the Government and development fund stated in the statement of financial position. Except for herein mentioned, the Company is not subject to other internally or externally imposed capital requirements. The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to engage in promotion, maintenance, improvements and advancement of the interest of the public in Hong Kong and elsewhere in drama and various related art forms.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Company is incorporated without any share capital but by guarantee of the members of the Company who undertake to contribute to the assets of the Company, in the event of its being wound up, for payment of the debts and liabilities of the Company up to the amount of HK\$100.

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19 Financial risk management and fair value of financial instruments

(A) Financial instruments

The Company major financial instruments include deposits and accounts receivables, payable and accruals. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(B) Financial risk factors

The Company is exposed to market risk, credit risk and liquidity risk arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

(a) Market risk

(i) Foreign currency risk

The Company has no significant exposure to foreign currency risk as nearly all the Company's transactions are denominated in Hong Kong dollars.

(ii) Cash flow interest rate risk

Except short term bank deposits bear interest subject to changes in market rate at the time of renewal, the Company has no other significant interest-bearing assets and liabilities. Thus, the Company's income, expense and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis

With 1% changes in interest rates, with all other variable held constant, both the Company's results for the year and its funds would be affected by approximately HK\$185,000 (2016: HK\$205,000). The analysis is performed on the same basis for 2016.

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19 Financial risk management and fair value of financial instruments (Continued)

(B) Financial risk factors (continued)

(b) Credit risk

The major debtors at 31 March 2017 are mainly Government agency which should not have any significant credit risk.

The credit risk on liquid funds is limited because the counterparties are authorised financial institutions listed in The Stock Exchange of Hong Kong Limited and regulated under Hong Kong Banking Ordinance.

(c) Liquidity risk

The Company is exposed to minimal liquidity risk as the Company regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves and bank balances to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest the Company can be required to pay.

	2017			2016		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Accounts payable and accruals	3,955,870	3,955,870	3,955,870	2,847,320	2,847,320	2,847,320

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19 Financial risk management and fair value of financial instruments (Continued)

(C) Fair values measurement

Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments stated at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 2016.

20 Retirement benefit scheme

The Company contributes to the MPF Scheme for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the scheme by the Company and the employees are calculated as a percentage of employee's relevant income, subject to a cap of monthly relevant income of HK\$ 30,000. The retirement benefit scheme costs charged to the statement of comprehensive income represent contributions payable by the Company to the fund. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund.

21 Transactions and balances with related parties

There were no significant transactions and balances with related parties of the Company during the year or at the end of the reporting period.

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22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2017

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2017 and which have not been adopted these financial statements:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle ⁵
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKAS 40	Transfer of investment properties ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate