

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**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 2018.

**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 2018 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, SBS, JP  
Mr. SIU Chor Kee, BBS, MH, JP  
Mr. CHAN Cheuk Chi  
Ms. AU Chor Kwan  
Mr. CHEUK Sin Cheong, Clement  
Mr. CHU Man Chung  
Dr. CHUNG Shui Ming, Timpson, GBS, JP  
Prof. LUK Yun Tong  
Mr. MA Ching Cheng  
Dr. Heather Ruth TING  
Mr. CHEUNG Chi Chung (appointed on 28 September 2017)  
Ms. TSUI Li, JP (appointed on 28 September 2017)

In accordance with Articles 39 to 40 of the Company’s Articles of Association, Hon. YICK Chi Ming, Frankie, SBS, JP, Mr. CHAN Cheuk Chi, Mr. CHEUK Sin Cheong, Clement, Mr. CHU Man Chung, Dr. CHUNG Shui Ming, Timpson, GBS, JP, Prof. LUK Yun Tong and Dr. Heather Ruth TING will retire by rotation, and Mr. SIU Chor Kee, BBS, MH, JP, Ms. AU Chor Kwan and Mr. MA Ching Cheng, being appointed by the Government will retire 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.

**Equity-linked agreements**

There were no equity-linked agreements entered into during the year or subsisting at the end of the year.

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

**Business review**

**Our Business**

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. An International Black Box Festival is held on a biennial basis.

*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 cultural exchange tours and taking-part in the international arts festivals in the Mainland and overseas, the Company endeavours 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)**

Our Business (continued)

*Theatre literature*

Through a varied programmes 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\$69.31 million (2017: HK\$59.46 million), of which HK\$40.28 million (2017: HK\$38.34 million) were subventions received from the Government, accounted for 58.1% (2017: 64.5%) of its total income.

*Government subsidies*

Total Government subvention income comprises recurrent subvention from the Home Affairs Bureau of HK\$37.07 million, which is at the same level of the 2017 level, HK\$1.11 million from the Contestable Funding Pilot Scheme (2017: HK\$1.00 million), HK\$1.80 million from the newly introduced Art Development Matching Grants Pilot Scheme (2017: Nil), and from the Leisure and Cultural Services Department funding for the Arts Administrator Trainee Programmes HK\$0.30 million (2017: HK\$0.27 million).

*Earned income*

Total earned income of the year is HK\$29.03 million (2017: HK\$21.12 million). The increase in earned income in the year is mainly attributed to the rise in box and performance income (HK\$13.19 million in 2018 vs HK\$9.30 million in 2017) resulted from the increase in number of audience; and higher donation and sponsorship income (HK\$9.80 million in 2018 vs HK\$5.31 million in 2017). The significant growth in donation and sponsorship income is mainly owing to the additional sponsorship obtained for conducting the Hang Seng Call for Young Talent in Theatre project alone by the Company in 2018 instead of co-present with The Hong Kong Federation of Youth Groups as last year (HK\$4.90 million in 2018 vs HK\$1.59 million in 2017).

*Expenditure*

Total expenditure of the year is HK\$68.33 million (2017: HK\$62.46 million). The rise in expenditure is mainly due to the increase in production costs and marketing and promotion expenses, as well as personal emoluments, resulted from running the Hang Seng Call for Young Talent in Theatre project alone and conducting the new Playful Learning programme in the year. In addition, extra production cost is incurred for the introduction of live band music in the 2018 Beijing tour performance of the musical *Field of Dreams*.

**HONG KONG REPERTORY THEATRE LIMITED**  
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**REPORT OF THE COUNCIL MEMBERS**

**Business review (continued)**

Financial Highlights (continued)

*Net result of the year*

As a result of increased Government subvention and higher earned income this year, the Company ends up with a surplus of HK\$0.99 million in 2018 (2017: deficit HK\$3.00 million).

*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 2018, the total cash and bank deposits of the Company is HK\$19.47 million (2017: HK\$18.49 million) and its current ratio (current assets/current liabilities) is 2.6 (2017: 2.3).

Key Performance Indicators

*No. of performances/activities and audience/participants*

During the year, the Company presented 8 main stage productions, 5 black box productions and 9 co-productions, totaling 22 productions in all with 226 performances in aggregate (2017: 8 main stage productions, 7 black box productions, 10 co-productions, totaling 230 performances). Total no. of audience increases from 57,014 in 2017 to 63,702 this year. This is mainly attributed to the main stage production *Scrooge! - the Musical* attracting more than 12,000 audience. Average attendance of the year is at 85% (2017: 86%).

In year 2018, the Company organized 7 overseas tours with total 39 performances and activities, attracting 14,569 audiences/participants (2017: 9 tours, 57 performances and activities, 12,937 audiences/participants).

The Company conducted a total of 2,220 sessions of outreach and educational activities involving 71,905 participants during the year (1,980 sessions and 83,386 participants in 2017). The drop in no. of participants in the year is mainly due to the completion of the Charles K. Kao Foundation for Alzheimer's Disease school project in early 2018 and less sessions were conducted during the year for the project (9 sessions and 1,799 participants in 2018 vs 70 sessions and 21,593 participants in 2017), notwithstanding that there are 236 new school workshop sessions added to the Hang Seng Call for Young Talent in Theatre project in the year.

**HONG KONG REPERTORY THEATRE LIMITED  
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REPORT OF THE COUNCIL MEMBERS**

**Business review (continued)**

*Awards and Honours*

At the 27th Hong Kong Drama Awards, the Company received 18 nominations and 7 award honours:

- *The Father*  
Best Director (Tragedy/Drama), Best Actor (Tragedy/Drama), Best Lighting Design and Outstanding Production of the Year
- *The Diary of Song*  
Best Script and Outstanding Production of the Year
- *The Homecoming*  
Best Supporting Actor (Tragedy/Drama)

In addition, the Company received 3 nominations from the 9th Hong Kong Theatre Libre Awards.

At the 2017 IATC (HK) Critics' Award, *The Father* won Actor of the Year award.

**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 customs, are in the manner of resources conservation and reduction of waste.

**HONG KONG REPERTORY THEATRE LIMITED**  
**(LIMITED BY GUARANTEE)**  
**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 thorough 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 staffs 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 disabled 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 3 selected performances of different productions during the year.

**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.



**HONG KONG REPERTORY THEATRE LIMITED**  
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**REPORT OF THE COUNCIL MEMBERS**

**Business review (continued)**

Principal Risks and Uncertainties (continued)

*Financial risk*

Details of the financial risks faced by the Company are set out in Note 20 to the Financial Statements.

Subsequent Events

There was 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, 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

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Dr. MONG Tak Yeung, David  
Chairman

Hong Kong, 24 JUL 2018

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF 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 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 2018, 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 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 all information included in the report of the council members and the detailed income statement as shown in the Appendix to the financial statements, 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 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 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 3 April 2017 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.

**Report on other matters under the Agreement Letter for the Art Development Matching Grants Pilot Scheme made on 20 September 2017 between the Government of the Hong Kong Special Administrative Region and the Company (the "Agreement Letter")**

We report that the Company has complied with, in all material respects, including the terms and conditions for matching the donations/sponsorship in accordance with the Guide and the Agreement Letter, the requirements as set by the Government to keep proper books and records and to prepare annual financial report of the activities in accordance with the books and records, as well as all the accounting requirements in the Agreement Letter and other relevant documents such as the Accounting Standards and Accounting Guidelines.

TING HO KWAN & CHAN  
Certified Public Accountants (Practising)  
9/F., Tung Ning Building,  
249-253 Des Voeux Road Central,  
Hong Kong, 24 JUL 2018

**HONG KONG REPERTORY THEATRE LIMITED  
(LIMITED BY GUARANTEE)  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>Income</b>			
Government subvention		40,284,580	38,340,151
Box office and performance income		13,193,204	9,297,897
Outreach, education and other activities income		5,740,468	6,284,362
Donation and sponsorship		9,804,887	5,305,300
Other income	5	290,894	234,698
		<u>69,314,033</u>	<u>59,462,408</u>
<b>Expenditures</b>			
Production costs		24,950,904	21,095,998
Marketing and promotion expenses		5,102,668	4,405,996
Personal emoluments		29,153,810	27,373,794
Other operating expenses		9,119,599	9,582,470
		<u>68,326,981</u>	<u>62,458,258</u>
<b>Surplus/(deficit) for the year</b>	6	987,052	(2,995,850)
Other comprehensive income		-	-
		<u>987,052</u>	<u>(2,995,850)</u>
<b>Total comprehensive surplus/(deficit) for the year</b>			
		<u>987,052</u>	<u>(2,995,850)</u>
<b>Total comprehensive surplus/(deficit) for the year allocated to</b>			
General activities	13	(2,262,249)	(3,334,401)
Contestable funding pilot scheme	14	(26,162)	(30,362)
Drama in pre-primary education project	15	-	(13,918)
Playful Learning: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong Program	16	-	-
Development fund	17	3,275,463	382,831
		<u>987,052</u>	<u>(2,995,850)</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 2018**

	Notes	2018 HK\$	2017 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	9	282,232	700,876
<b>Current assets</b>			
Prepayments	10	1,696,120	2,990,556
Deposits and accounts receivable	10	3,172,025	2,928,905
Bank term deposits	11	6,839,657	12,924,429
Cash and cash equivalents	11	12,635,075	5,561,327
		24,342,877	24,405,217
<b>Current liabilities</b>			
Box office and performance income and others received in advance	12	5,281,546	6,794,514
Accounts payable and accruals	12	4,000,802	3,955,870
		9,282,348	10,750,384
<b>Net current assets</b>		15,060,529	13,654,833
<b>Net assets</b>		15,342,761	14,355,709



**HONG KONG REPERTORY THEATRE LIMITED**  
**(LIMITED BY GUARANTEE)**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
<b>RESERVES</b>			
General activities	13	8,168,390	10,460,033
Contestable funding pilot scheme	14	3,609	377
Drama in pre-primary education project	15	-	-
Playful Learning: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong Program	16	-	-
Development fund	17	7,170,762	3,895,299
<b>Total reserves</b>		<u>15,342,761</u>	<u>14,355,709</u>

The financial statements were approved and authorised for issue by the Council on 24 JUL 2018 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 2018**

	General activities (note 13) HK\$	Contestable funding pilot scheme (note 14) HK\$	Drama in pre-primary education project (note 15) HK\$	Playful Learning: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong Program (note 16) HK\$	Development fund (note 17) HK\$	Total HK\$
Total reserves at 1 April 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
Total comprehensive surplus/(deficit) for the year	(2,262,249)	(26,162)	-	-	3,275,463	987,052
Fund transfer	(29,394)	29,394	-	-	-	-
Total reserves at 31 March 2018	8,168,390	3,609	-	-	7,170,762	15,342,761

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 2018**

	2018 HK\$	2017 HK\$
<b>Operating activities</b>		
Surplus/(deficit) for the year	987,052	(2,995,850)
Adjustments for:		
Interest income	(74,402)	(88,399)
Depreciation	460,334	1,260,520
Gain on disposal of property, plant and equipment	(5,000)	-
<b>Operating cash flows before changes in working capital</b>	<u>1,367,984</u>	<u>(1,823,729)</u>
Prepayments	1,294,436	(433,746)
Deposits and accounts receivable	(243,120)	(1,096,247)
Bank term deposits	6,084,772	(9,451,304)
Box office and performance income and others received in advance	(1,512,968)	881,888
Accounts payable and accruals	44,932	1,108,550
<b>Net cash generated from/(used in) operating activities</b>	<u>7,036,036</u>	<u>(10,814,588)</u>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment, net (note 9)	(41,690)	(763,318)
Proceeds for disposal of property, plant and equipment	5,000	-
Interest received	74,402	88,399
<b>Net cash generated from/(used in) investing activities</b>	<u>37,712</u>	<u>(674,919)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	7,073,748	(11,489,507)
<b>Cash and cash equivalents at the beginning of the year</b>	<u>5,561,327</u>	<u>17,050,834</u>
<b>Cash and cash equivalents at the end of the year (note 11)</b>	<u>12,635,075</u>	<u>5,561,327</u>

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 2018**

**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 Standards**

The Company’s financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), 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 HKFRSs 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 HKFRSs 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.

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**3 Summary of significant accounting policies**

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

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

**(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 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-subsented 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)**

**(l) 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**

During the year, the Company has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2017 including:

- Amendments to HKAS 7, Statement of cash flows: Disclosure initiative
- Amendments to HKAS 12, Income taxes: Recognition of deferred tax assets for unrealised losses
- Annual Improvements 2014-2016 cycle, Amendments to a number of HKFRS

The application of the new and revised HKFRSs has no material effects on the Company's financial performance and positions.

The Company has not early applied any new standard, amendment or interpretation that not yet effective for the current accounting period (see note 23).

**5 Other income**

	<b>2018</b>	<b>2017</b>
	HK\$	HK\$
Advertisement income	17,850	15,200
Bank interest income	74,402	88,399
Gain on disposal of property, plant and equipment	5,000	-
Membership income	24,990	24,400
Rental of props, costume and equipment	52,042	32,030
Souvenirs sales and royalty income	42,553	64,945
Sundry income	74,057	9,724
	<u>290,894</u>	<u>234,698</u>

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**6 Surplus/(deficit) for the year**

	<b>2018</b>	<b>2017</b>
	HK\$	HK\$
Surplus/(deficit) for the year is arrived at after charging:		
Auditors' remuneration	83,500	58,500
Depreciation	460,334	1,260,520
Operating leases:		
- office premises rental	4,443,960	4,425,697
- venue rental	4,151,618	3,409,390
Staff costs:		
- salaries and allowances	28,125,954	26,400,097
- MPF contributions	1,027,856	973,697
- temporary and part-time staff	34,877	34,056
- training and welfare	413,788	236,959
	<u>                    </u>	<u>                    </u>

\* Office premises rental was partly subsidised by the subvention granted from the Art Development Matching Grants Pilot Scheme (note 13).

**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 (2017: Nil).

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**9 Property, plant and equipment**

	<b>Furniture and fixtures HK\$</b>	<b>Office and computer equipment HK\$</b>	<b>Audio and stage equipment HK\$</b>	<b>Total HK\$</b>
<b>Cost</b>				
At 1 April 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	<u>2,468,739</u>	<u>1,529,648</u>	<u>6,452,629</u>	<u>10,451,016</u>
Additions	-	38,630	3,060 *	41,690
Disposals	-	(43,100)	-	(43,100)
At 31 March 2018	<u>2,468,739</u>	<u>1,525,178</u>	<u>6,455,689</u>	<u>10,449,606</u>
<b>Accumulated depreciation</b>				
At 1 April 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	<u>2,401,619</u>	<u>1,398,477</u>	<u>5,950,044</u>	<u>9,750,140</u>
Charge for the year	62,687	98,535	299,112	460,334
Written back on disposal	-	(43,100)	-	(43,100)
At 31 March 2018	<u>2,464,306</u>	<u>1,453,912</u>	<u>6,249,156</u>	<u>10,167,374</u>
<b>Net book value</b>				
At 31 March 2018	<u>4,433</u>	<u>71,266</u>	<u>206,533</u>	<u>282,232</u>
At 31 March 2017	<u>67,120</u>	<u>131,171</u>	<u>502,585</u>	<u>700,876</u>
				<b>2018 HK\$</b>
* Addition during the year, at cost				3,413,060
Less: Government subvention (note 3(h)(i))				<u>(3,410,000)</u>
Net addition				<u>3,060</u>

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**10 Prepayments, deposits and accounts receivable**

Apart from the deposits amounted to HK\$426,570 (2017: HK\$426,570), 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.

**11 Bank term deposits/cash and cash equivalents**

	2018 HK\$	2017 HK\$
Cash at banks and in hand	4,518,207	505,716
Bank deposits	14,956,525	17,980,040
	<u>19,474,732</u>	<u>18,485,756</u>
Less: Bank deposits matured beyond 3 months at acquisition	<u>6,839,657</u>	<u>12,924,429</u>
Cash and cash equivalents in the statement of financial position and the statement of cash flows	<u>12,635,075</u>	<u>5,561,327</u>

The effective interest rates on short term deposits were ranged from 0.01% to 1.1% (2017: 0.01% to 0.9%) per annum. These deposits have an average duration of maturity ranged from 1 month to 6 months (2017: 2 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**

	<b>General 2018 HK\$</b>	<b>Matching Grants (note a) 2018 HK\$</b>	<b>Total 2018 HK\$</b>	<b>Total 2017 HK\$</b>
<b>Income:</b>				
Government subvention	37,366,577	1,804,091	39,170,668	37,344,332
Box office and performance income	12,879,872	-	12,879,872	8,981,829
Outreach, education and other activities income	5,736,468	-	5,736,468	6,278,642
Donation and sponsorship income	3,229,529	-	3,229,529	4,707,373
Other income	256,804	-	256,804	211,122
	<u>59,469,250</u>	<u>1,804,091</u>	<u>61,273,341</u>	<u>57,523,298</u>
<b>Expenditures:</b>				
Production cost	21,971,965	-	21,971,965	20,105,289
Marketing and promotion expenses	4,445,224	-	4,445,224	4,217,086
Personal emolument	28,470,159	-	28,470,159	27,226,083
Other operating expenses	6,844,151	1,804,091	8,648,242	9,309,241
	<u>61,731,499</u>	<u>1,804,091</u>	<u>63,535,590</u>	<u>60,857,699</u>
Deficit for the year	(2,262,249)	-	(2,262,249)	(3,334,401)
Balance at the beginning of the financial period	10,460,033	-	10,460,033	13,596,124
Fund transfer to contestable funding pilot scheme (note 14)	(29,394)	-	(29,394)	(30,690)
Fund transfer from drama in pre-primary education project (note 15)	-	-	-	229,000
Balance at the end of the financial period	<u>8,168,390</u>	<u>-</u>	<u>8,168,390</u>	<u>10,460,033</u>

Note a:

During the year, Arts Development Matching Grants Pilot Scheme granted an amount of HK\$1,804,901 (2017: Nil) to the Company. The grant was used to subsidise the office premises rental payable by the Company for the year (note 6). No separate bank account for the receipt as required by the Agreement letter have been maintained and the receipt of grant was directly banked-in to the Company's bank account and immediately charged out as an expense in order to compensate the office premises rental already paid by the Company.



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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 2018 and 2017 are as follows.

	2018 HK\$	2017 HK\$
Reserves		
Accumulated surplus	8,168,390	10,460,033
Drama in pre-primary education project	-	-
Playful Learning: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong Program	-	-
	<u>8,168,390</u>	<u>10,460,033</u>
Less: Net book value of property, plant and equipment	<u>282,232</u>	<u>700,876</u>
	7,886,158	9,759,157
Less: Accumulated donation and sponsorship income	<u>21,525,089</u>	<u>17,661,127</u>
	<u>(13,638,931)</u>	<u>(7,901,970)</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>63,484,292</u>	<u>60,132,472</u>
Ratio	<u>(21.5%)</u>	<u>(13.1%)</u>

At 31 March 2018 and 2017, 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**

The summary and movements of Contestable funding pilot scheme during the subvention period at 31 March 2018 and 2017 are as follows.

	New-wrighting series Second round (note 14(a)) HK\$	Purchase of intelligent moving light system (note 14(b)) HK\$	Open platform (note 14(c)) HK\$	The best HK original musical's China adventure (note 14(d)) HK\$	Total HK\$
Total reserves at 1 April 2016	-	49	-	-	49
Surplus/(deficit) for the year	(30,690)	301	27	-	(30,362)
Fund transfer	30,690	-	-	-	30,690
Total reserves at 31 March 2017	-	350	27	-	377
Surplus/(deficit) for the year	-	(27,704)	(27)	1,569	(26,162)
Fund transfer	-	29,394	-	-	29,394
Total reserves at 31 March 2018	-	2,040	-	1,569	3,609

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**14 Contestable funding pilot scheme**

**(a) New-writhing series**

	2018 HK\$	2017 HK\$
<b>Second round</b>		
<b>Income:</b>		
Government subvention	-	995,819
Box office and performance income	-	316,068
Outreach, education and other activities income	-	5,720
Other income	-	-
	<u>-</u>	<u>1,317,607</u>
<b>Expenditures:</b>		
Production cost	-	994,439
Marketing and promotion expenses	-	138,507
Personal emolument	-	147,711
Other operating expenses	-	67,640
	<u>-</u>	<u>1,348,297</u>
Deficit for the year	-	(30,690)
Balance at the beginning of the financial period	-	-
Fund transfer from general activities (note 13)	-	30,690
Balance at the end of the financial period	<u>-</u>	<u>-</u>

The second agreement entered with the Government on 15 January 2015 was completed in the year 2017. 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**

	2018 HK\$	2017 HK\$
<b>Income:</b>		
Government subvention	7,000	-
Other income	116	301
	<u>7,116</u>	<u>301</u>
<b>Expenditures:</b>		
Other operating expenses	<u>34,820</u>	-
(Deficit)/surplus for the year	(27,704)	301
Balance at the beginning of the financial period	350	49
Fund transfer from general activities (note 13)	29,394	-
Balance at the end of the financial period	<u>2,040</u>	<u>350</u>

The agreement entered with the Government on 15 January 2016 had been completed and the grant of HK\$3,410,000 was deducted from the carrying amount of the asset and consequently is effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense. Besides, a grant of HK\$7,000 was recognised as government subvention in the year of 2018 upon the completion and finalisation of the series, and a deficit of HK\$27,704 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)**

**(c) Open platform**

	<b>2018</b>	<b>2017</b>
	HK\$	HK\$
<b>Income:</b>		
Government subvention	1,106,912	-
Box office and performance income	313,332	-
Outreach, education and other activities income	4,000	-
Other income	128	27
	<u>1,424,372</u>	<u>27</u>
<b>Expenditures:</b>		
Production cost	1,046,193	-
Marketing and promotion expenses	160,929	-
Personal emolument	165,927	-
Other operating expenses	51,350	-
	<u>1,424,399</u>	<u>-</u>
(Deficit)/surplus for the year	(27)	27
Balance at the beginning of the financial period	27	-
Balance at the end of the financial period	<u>-</u>	<u>27</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. An amount of HK\$1,106,912 was recognised as government subvention based on the expenditure spent on the project at break-even basis, balance of HK\$873,088 is still remained as a liability in the statement of financial position as at 31 March 2018. 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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**14 Contestable funding pilot scheme (Continued)**

**(d) The best HK original musicals' China adventure**

	<b>2018</b>	<b>2017</b>
	HK\$	HK\$
<b>Income:</b>		
Other income	1,569	-
Surplus for the year	<u>1,569</u>	<u>-</u>
Balance at the beginning of the financial period	-	-
Balance at the end of the financial period	<u>1,569</u>	<u>-</u>

The Company has entered agreement with the Government on 30 January 2018, under which a total grant of HK\$1,300,000 would be received from the Government for the purpose of promoting musical drama productions. Up to the reporting date, total amount of HK\$1,170,000 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**

	2018 HK\$	2017 HK\$
<b>Income:</b>		
Outreach, education and other activities income	-	-
<b>Expenditures:</b>		
Production cost	-	(12,130)
Marketing and promotion expenses	-	23,587
Other operating expenses	-	2,461
	-	13,918
Deficit for the year	-	(13,918)
Balance at the beginning of the financial period	-	242,918
Fund transfer to general activities (note 13)	-	(229,000)
Balance at the end of the financial period	-	-

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**16 Playful Learning: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong Program**

	2018 HK\$	2017 HK\$
<b>Income:</b>		
Donation and sponsorship income	634,433	-
Other income	86	-
	<u>634,519</u>	<u>-</u>
<b>Expenditures:</b>		
Production cost	364,320	-
Marketing and promotion expenses	142,004	-
Personal emoluments	113,999	-
Other operating expenses	14,196	-
	<u>634,519</u>	<u>-</u>
Surplus for the year	-	-
Balance at the beginning of the financial period	-	-
Balance at the end of the financial period	<u>-</u>	<u>-</u>

During the year, the Company has entered into an agreement with The D. H. Chen Foundation under which donation from The D. H. Chen Foundation of up to HK\$6,707,948 as a support of the Playful Learning programme: Ploughing drama education for innovating the preschool curriculum and pedagogy in Hong Kong for the period from July 2017 to June 2020. On current financial period, the Company received HK\$1,447,142 from The D. H. Chen Foundation and recognised HK\$634,433 as revenue based on the net expenditure spent on the project at break-even basis. The remaining balance is recoded as receipt in advance at the end of this financial period and will be recognised as revenue when expenditures were incurred.



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**17 Development fund**

	<b>2018</b>	<b>2017</b>
	HK\$	HK\$
<b>Income:</b>		
Donation and sponsorship income	5,940,925	597,927
Other income	32,191	23,248
	<u>5,973,116</u>	<u>621,175</u>
<b>Expenditures:</b>		
Production cost	1,568,426	8,400
Marketing and promotion expenses	354,511	26,816
Personal emoluments	403,725	-
Other operating expenses	370,991	203,128
	<u>2,697,653</u>	<u>238,344</u>
Surplus for the year	3,275,463	382,831
Balance at the beginning of the financial period	<u>3,895,299</u>	<u>3,512,468</u>
Balance at the end of the financial period	<u>7,170,762</u>	<u>3,895,299</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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**18 Commitments**

Operating lease commitments

At 31 March 2018, the Company's total future minimum lease payments under non-cancellable operating leases is payable as follows:

	2018 HK\$	2017 HK\$
Land and buildings		
Within one year	4,506,175	4,443,960
After one year and within five years	1,470,264	3,783,703
	<u>5,976,439</u>	<u>8,227,663</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.

**19 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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**20 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\$195,000 (2017: HK\$185,000). The analysis is performed on the same basis for 2017.

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

**(B) Financial risk factors (continued)**

**(b) Credit risk**

The major debtors at 31 March 2018 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.

	2018			2017		
	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	4,000,802	4,000,802	4,000,802	3,955,870	3,955,870	3,955,870

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**20 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 2018 and 2017.

**21 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.

**22 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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**23 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2018**

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 2018 and which have not been adopted these financial statements.

In addition, the following developments may result in new or amended disclosures in the financial statements:

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 40	Investment property: Transfer of investment properties <sup>1</sup>
HK(IFRIC) - Int 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC) - Int 23	Uncertainty over income tax treatments <sup>2</sup>
HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statements in the year of initial application. The Company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.