

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008

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 for the year ended 31st March, 2008.

Principal activities

The Company continued 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.

Results

The results of the Company for the year ended 31st March, 2008 and the state of the Company's affairs as at that date are set out in the financial statements on page 3 to 19.

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:

Mr. CHOW Wing Shing, Vincent, BBS, MBE, JP
Dr. YEUNG Hin Chung, John, OBE, JP
Mr. CHAN Kwan Yun
Dr. CHAN Kow Tak (appointed on 30th July, 2007)
Ms. CHOI Ka Man, Carmen
Dr. LUK Yun Tong
Mr. MONG Tak Yeung, David
Mr. NG Kau
Ms. SUEN Chi Lan, Esther
Mr. WOO Wai Man, BBS (appointed on 30th July, 2007)
Mr. CHING Cheung Ying, MH (retired on 30th July, 2007)
Mr. CHUNG Shu Kun, Christopher, MH, JP (retired on 30th July, 2007)

In accordance with Articles 36 to 40 of the Company's Articles of Association, Mr. CHOW Wing Shing, Vincent, BBS, MBE, JP, Mr. CHAN Kwan Yun, Mr. NG Kau and Ms. SUEN Chi Lan, Esther will retire by rotation; and Ms. CHOI Ka Man, Carmen, Dr. LUK Yun Tong and Mr. MONG Tak Yeung, David being appointed by the Government will retire, in the forthcoming annual general meeting.

to be continued.....

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

REPORT OF THE COUNCIL MEMBERS

Continuation - 2 -

Council Members' interests in contracts

No contracts of significance in relation to the Company's business to 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.

Arrangement 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.

Auditors

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

On behalf of the Council

CHOW Wing Shing, Vincent
Chairman

Hong Kong, 21st July, 2008

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

We have audited the financial statements of Hong Kong Repertory Theatre Limited (the "Company") set out on pages 3 to 19, which comprise the balance sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council members' responsibility for the financial statements

The council members are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

to be continued.....

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

Continuation - 2 -

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31st March, 2008 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)

Hong Kong, 21st July, 2008

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2008

	Notes	2008 HK\$	2007 HK\$
Income			
Government subvention		26,640,000	26,640,000
Box office income		9,489,546	7,229,831
Outreach and education activities income		813,000	179,240
Programme fee income		390,277	8,900
Other income	5	635,151	712,688
		<u>37,967,974</u>	<u>34,770,659</u>
Expenditure			
Production costs		10,516,722	10,007,642
Marketing and promotion expenses		4,075,149	2,384,607
Personal emoluments		16,612,537	17,118,220
Other operating expenses		6,505,021	5,163,105
		<u>37,709,429</u>	<u>34,673,574</u>
Surplus for the year	6	<u>258,545</u>	<u>97,085</u>

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

BALANCE SHEET AS AT 31ST MARCH, 2008

	Notes	2008 HK\$	2007 HK\$
Non-current assets			
Property, plant and equipment	9	<u>621,174</u>	<u>616,436</u>
Current assets			
Prepayments and deposits		1,562,735	1,821,097
Accounts receivable		1,272,607	693,599
Cash and cash equivalents	10	<u>8,667,915</u>	<u>9,016,130</u>
		<u>11,503,257</u>	<u>11,530,826</u>
Total assets		<u><u>12,124,431</u></u>	<u><u>12,147,262</u></u>
RESERVES			
Accumulated surplus		7,534,981	7,294,382
Development fund	11	<u>1,504,520</u>	<u>1,205,933</u>
Total reserves		<u>9,039,501</u>	<u>8,500,315</u>
LIABILITIES			
Current liabilities			
Box office income and others received in advance		50,100	100
Accounts payable and accruals		<u>3,034,830</u>	<u>3,646,847</u>
Total liabilities		<u>3,084,930</u>	<u>3,646,947</u>
Total reserves and liabilities		<u><u>12,124,431</u></u>	<u><u>12,147,262</u></u>

The financial statements were approved and authorised for issue by the Council on 21st July, 2008

CHOW Wing Shing, Vincent
CHAIRMAN

CHAN Kwan Yun
TREASURER

HONG KONG REPERTORY THEATRE LIMITED
(LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2008

	Note	Accumulated surplus HK\$	Development Fund HK\$	Total HK\$
Total reserves at 31st March, 2006		8,337,384	1,070,263	9,407,647
Surplus for the year		97,085	135,670	232,755
Refund of surplus to Government		<u>(1,140,087)</u>	-	<u>(1,140,087)</u>
Total reserves at 31st March, 2007		7,294,382	1,205,933	8,500,315
Surplus for the year		258,545	298,587	557,132
Refund of surplus to Government		<u>(17,946)</u>	-	<u>(17,946)</u>
Total reserves at 31st March, 2008	11	<u><u>7,534,981</u></u>	<u><u>1,504,520</u></u>	<u><u>9,039,501</u></u>

**HONG KONG REPERTORY THEATRE LIMITED
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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2008

	Notes	2008 HK\$	2007 HK\$
Cash flows from operating activities			
Surplus for the year		258,545	97,085
Adjustments for:			
Interest income	5	(402,967)	(306,564)
Depreciation	6	669,052	448,080
		<u>524,630</u>	<u>238,601</u>
Operating profit before changes in working capital			
Prepayments and deposits		258,362	497,094
Accounts receivable		(579,008)	(74,804)
Box office income and others received in advance		50,000	(272,757)
Accounts payable and accruals		(612,017)	476,578
		<u>(358,033)</u>	<u>864,712</u>
Net cash (used in)/generated from operating activities			
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment	9	(673,790)	(527,219)
Interest received	5	402,967	306,564
		<u>(270,823)</u>	<u>(220,655)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Increase in development fund	11	298,587	135,670
Refund of surplus to Government		(17,946)	(1,140,087)
		<u>280,641</u>	<u>(1,004,417)</u>
Net cash generated from/(used in) financing activities			
Net decrease in cash and cash equivalents			
		(348,215)	(360,360)
Cash and cash equivalents at 1st April			
		<u>9,016,130</u>	<u>9,376,490</u>
Cash and cash equivalents at 31st March			
	10	<u><u>8,667,915</u></u>	<u><u>9,016,130</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

1 General information

Hong Kong Repertory Theatre Limited (the “Company”) is limited by guarantee, such that under the provisions of the Company’s memorandum of association, every member shall, in the event of the Company being wound up, 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 principal place of business are 4/F., Sheung Wan Municipal Services Building, 345 Queen’s Road Central, Hong Kong. Its principal activities continued 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.

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 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.

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.

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

3 Summary of significant accounting policies - continued

(b) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet 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 each balance sheet date 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 profit or loss

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 profit or loss on the date of retirement or disposal.

(c) Accounts receivable

Accounts receivable are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

- 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 impairment losses for bad and doubtful debts; and
- short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

3 Summary of significant accounting policies - continued

(c) Accounts receivable - continued

At each balance sheet date, the Company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

- a significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

Impairment losses on accounts receivable are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and it is 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 where the effect of discounting is material. The assessment is made collectively where the receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristic similar to the collective group. 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 comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are 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.

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

3 Summary of significant accounting policies - continued

(e) Accounts payable and accruals

Accounts payable and accruals are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

- short-term payables with no stated interest rate and 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.

(h) Revenue recognition

- (i) Government subvention is recognised under the term of agreement on accrual basis.
- (ii) Box office income, outreach and education activities income and programme fee income are recognised when the performance presented.
- (iii) Donations and sponsorship received are recognised on cash receipt basis.
- (iv) Interest income is recognised using the effective interest method.

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

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 balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date 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 in Hong Kong (the "MPF Scheme") 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 income statement 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.

(j) 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.

Contingent rents are charged as an expense in the periods in which they are incurred.

(k) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (1) controls, is controlled by, or is under common control with, the Company;
 - (2) has an interest in the Company that gives its significant influence over the Company;or
 - (3) has joint control over the Company;
- (ii) the party is a jointly-controlled entity;
- (iii) the party is an associate;
- (iv) the party is a member of the key management personnel of the Company;

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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

3 Summary of significant accounting policies - continued

(k) Related parties - continued

- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

(l) Development fund

The development fund is used for non-subvented projects which fall outside the ambit of Government Subvention through the Director of Leisure and Cultural Services from the year 2001/02 to 2006/07 and Secretary of the Home Affairs in the year 2007/08. The income statement of the development fund is separated from that for Government Subvention's through the Director of Leisure and Cultural Services/Secretary of Home Affairs as the case may be. The fund is to be used for matching any recurrent and non-recurrent financial commitments created by acceptance of donation for specific purpose.

4 Changes in accounting policies

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial Instruments: Disclosures and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 14.

The amendments to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 13.

HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

4 Changes in accounting policies - continued

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Company has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 17).

5 Other income

	2008	2007
	HK\$	HK\$
Advertisement income	46,800	74,400
Bank interest income	402,967	306,564
Donation and sponsorship received	67,819	188,002
Membership fees received	2,300	1,800
Rental of props, costume and equipment	64,125	84,875
Souvenirs sales	35,382	49,403
Miscellaneous income	15,758	7,644
	<u>635,151</u>	<u>712,688</u>

6 Surplus for the year

Surplus for the year is stated after charging:

	2008	2007
	HK\$	HK\$
Auditors' remuneration	20,500	19,000
Depreciation	669,052	448,080
Operating leases		
- office premises rental	2,196,000	1,680,000
- venue rental	3,064,259	2,930,017
Staff costs		
- salaries, gratuities and allowances	16,109,474	16,580,487
- MPF contributions	503,063	537,733
- temporary and part-time staff	154,535	62,940
	<u>635,151</u>	<u>712,688</u>

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

7 Taxation

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

8 Council members' remuneration

None of the Council members received or will receive any fees or emoluments in respect of their services to the Company during the year (2007: Nil).

9 Property, plant and equipment

	Furniture and fixtures HK\$	Office and Computer equipment HK\$	Audio and Stage equipment HK\$	Total HK\$
Cost				
At 1st April, 2006	52,780	300,820	452,241	805,841
Additions	90,105	176,629	260,485	527,219
At 31st March, 2007	142,885	477,449	712,726	1,333,060
Additions	157,950	83,310	432,530	673,790
At 31st March, 2008	300,835	560,759	1,145,256	2,006,850
Accumulated depreciation				
At 1st April, 2006	17,580	100,240	150,724	268,544
Charge for the year	47,624	162,896	237,560	448,080
At 31st March, 2007	65,204	263,136	388,284	716,624
Charge for the year	100,296	186,965	381,791	669,052
At 31st March, 2008	165,500	450,101	770,075	1,385,676
Net book value				
At 31st March, 2008	135,335	110,658	375,181	621,174
At 31st March, 2007	77,681	214,313	324,442	616,436

**HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

10 Cash and cash equivalents

	2008	2007
	HK\$	HK\$
Cash at bank and in hand	488,751	834,213
Short-term bank deposits	8,179,164	8,181,917
	<u>8,667,915</u>	<u>9,016,130</u>

The effective interest rates on short term deposits were ranged from 1.03% to 2.90% per annum (2007: 2.80% to 3.85% per annum).

11 Development fund

	2008	2007
	HK\$	HK\$
Balance at 1st April	<u>1,205,933</u>	<u>1,070,263</u>
Income:		
Home Affairs Bureau subvention	-	633,700
Donations and sponsorship received	241,750	616,973
Programme fee income	211,000	606,613
Outreach and education activities income	-	3,300
Bank interest income	45,012	30,062
	<u>497,762</u>	<u>1,890,648</u>
Expenditure:		
Performance tours and audience development	183,175	1,730,978
Staff welfare	16,000	24,000
	<u>199,175</u>	<u>1,754,978</u>
Surplus for the year	<u>298,587</u>	<u>135,670</u>
Balance at 31st March	<u><u>1,504,520</u></u>	<u><u>1,205,933</u></u>

The development fund is used for non-subsented projects which fall outside the ambit of Government Subvention through the Director of Leisure and Cultural Services/Secretary of the Home Affairs. The income statement of the development fund was separated from that for Government Subventions through the Director of Leisure and Cultural Services/Secretary of the Home Affairs as the fund did not come from that source of subvention.

HONG KONG REPERTORY THEATRE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

12 Lease commitments

At 31st March, 2008, the Company's total future minimum lease payments under non-cancellable operating lease is payable as follows:

	2008	2007
	HK\$	HK\$
Land and buildings		
Within one year	2,196,000	2,196,000
After one and within five years	2,196,000	4,392,000
	<u>4,392,000</u>	<u>6,588,000</u>

The Company leases certain office premises under a licence agreement for a term of 3 years commencing from 1st April, 2007 for fixed monthly rental from the Leisure and Cultural Services Department. The licence agreement does not include contingent rentals.

13 Capital 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 on the balance sheet. 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.

The Company is not subject to either internally or externally imposed capital requirements.

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

NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

14 Financial risk management

(A) Financial instruments

The Company major financial instruments include receivables and prepayments, 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

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described belows.

(i) Foreign currency risk

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

(ii) Credit risk

The main income of the Company is subvention from the Government in which there should not have any credit risk in this respect. The Company has no significant concentration of credit risk, with wide spread of customers for ticket proceeds. The major trade debtors at 31st March, 2008 are mainly government agency which should not have any credit risk.

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

(iii) 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 of each and bank balances to meet its liquidity requirements in the short and longer term.

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NOTES TO THE FINANCIAL STATEMENTS - 31ST MARCH, 2008

14 Financial risk management - continued

(B) Financial risk factors - continued

(iii) Liquidity risk - continued

The following table details the remaining contractual maturities at the balance sheet date of the Company's non-derivatives 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 balance sheet date) and the earliest the Company can be required to pay.

	2008			2007		
	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\$
Box office income and others received in advance	50,100	50,100	50,100	100	100	100
Accounts payable and accruals	3,034,830	3,034,830	3,034,830	3,646,847	3,646,847	3,646,847
	<u>3,084,930</u>	<u>3,084,930</u>	<u>3,084,930</u>	<u>3,646,947</u>	<u>3,646,947</u>	<u>3,646,947</u>

(iv) Cash flow interest rate risk

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

(v) 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 HK\$81,000 approximately as the Company has interest-bearing assets as at 31st March, 2008.

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15 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\$20,000. The retirement benefit scheme costs charged to the income statement 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.

16 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 balance sheet date.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st March, 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2008 and which have not been early adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.