

CHUNG YING THEATRE COMPANY (HK) LIMITED
中英劇團有限公司
(incorporated in Hong Kong and limited by guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Certified True and Correct


Name: CHING Cheung Ying
Title: Director
Date: 31 December 2021



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華德會計師事務所
CW CPA Certified Public Accountants
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DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activities of Chung Ying Theatre Company (HK) Limited ("the Company") are to produce and present plays, drama and other related activities, organise education programmes, and to promote and advance public interest in Hong Kong and beyond in plays, drama and related arts.

BUSINESS REVIEW

Overview

Founded by the British Council in 1979, the Company is now a registered charitable organisation and one of Hong Kong's leading professional theatrical arts companies, financially supported by the Government of the Hong Kong Special Administrative Region. The Company strives to produce quality stage productions to develop a unique local theatrical arts culture, facilitate cultural exchange and enrich the city's cultural life.

Throughout its 41 years of operation, the Company has staged more than 350 productions, receiving over 100 nominations and 96 awards in the previous 29 Hong Kong Drama Awards Presentation Ceremony, and has toured to many cities around the globe for cultural exchange.

As the first local theatre company to integrate the example of the UK's "Theatre-in-Education" movement into its work, the Company has hosted over 5,770 schools touring performances, recorded around 900,000 student attendances and has won plaudits from the Hong Kong Federation of Drama Societies and Hong Kong Arts Development Council. The Company embraces tertiary institutions, primary and secondary schools and community-specific organisations through Drama-in-Education programmes, and inherits local culture with oral history theatre programmes.

Performance Highlights

In the financial year 2021, the Company planned 4 main stage productions and 2 black box productions (including the Master of Fine Arts (MFA) Directing Graduate project which is a collaboration with the Hong Kong Academy for Performing Arts) that display the many facets of human society. With a seasonal theme of "Time of _____", the Company deliberately opted out the adjective for Time, for our audience to define the era which we live in through these productions. Due to the pandemic, the Leisure and Cultural Services Department (LCSD) announced the temporary closure of all cultural and leisure facilities to avoid gathering. Consequently, the Company has to cancel 2 main stage productions. Another production was replaced and both black box productions have to be presented online.

One of the 2 main stage productions the Company staged this year was *Frankenstein: Relive*. With seating capacity limited to 50% of the auditorium, the marketing strategy and public praise helped secure an 80.1% attendance rate throughout the three-week run. The production was also awarded one of the eight "Featured Works of 2020" by the International Association of Theatre Critics (Hong Kong) (IATC (HK)) Critics Awards 2020.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Performance Highlights (continued)

The other production presented was *Ken Ludwig's Baskerville: A Sherlock Holmes Mystery*.¹ It replaced the production *A Tale of Two Cities: Blood for Blood* in April 2021 since the British production team were restricted by lockdown in the UK. The work attracted an 87% attendance rate under special seating arrangements.

As a government-funded performing arts group, one of the Company's missions is to gather support from the community and nurture public interest in theatrical arts. The Company is dedicated to initiating different community projects for the elderly, children and teenagers, minority groups, people in recovery of mental illness and the less privileged. During the year, more than 45 community performances were cancelled and 90% of the courses were suspended. The Company has explored the use of technology and social media platforms to generate some income and continue its outreach to its target groups. Productions were video recorded and broadcast online while courses continued through communication platforms such as zoom. The Company eventually organised 734 education and outreach activities, 44% of which were online drama activities including workshops, production screening, free education videos. A total of 96,118 beneficiaries were reached.

The Company received new funding from The Hong Kong Jockey Club Charities Trust on "Jockey Club Community Sustainability Fund – 'Listening for Wellness' Drama Programme" which used drama to help recovering patients of mental and emotional illnesses to express and relieve their stresses during the lockdown and explore ways to strengthen their resilience. The 9-month programme targets to reach 920 beneficiaries by May 2021 through drama workshops, seminars and train-the-trainer workshops.

During the year, Phase One of The Hong Kong Jockey Club Charities Trust funded "Jockey Club 'Once Under the Lion Rock' Oral History Theatre Programme" was completed. In the last three years, a total of 54,652 beneficiaries were reached, and a total of 90 performances were staged. Research on the social and educational impacts of the programme conducted by The Open University of Hong Kong has been published, showing that over 80% of student and community audience agreed that they learned more about Hong Kong and the elderly after watching the performance. In addition, over 90% of the elderly participants agreed that they felt more satisfied with their lives after joining the programme.

Key Risks and Uncertainties

The one major threat that Hong Kong has been facing since early 2020 is undoubtedly the COVID-19 pandemic. According to a research conducted by Legislative Council member Ma Fung-Kwok on the effect of the pandemic on Sports, Performing Arts, Culture and Publication industries between 30 January and 10 February 2020, 95% of cultural activities were cancelled or postponed because of the unforeseeable development of COVID-19. Among the affected activities, 82% were live performances.

To contain the spread of the pandemic, the HKSAR government announced a series of social distancing measures including, but not limited to, temporary closure of cultural venues and limited seating capacity. The Company has to rearrange the seating plans and even cancel shows due to these measures, which impacts seriously on the audience number and box office income. As for education and outreach programmes, the number of projects with schools has been greatly reduced as schools have since been only opened for half-day, making it difficult to organise extra-curricular activities in the afternoon. Online drama programmes will continue to be an option for schools.

¹ For accounting purpose, income and expenditure of this production falls into the financial year 2022.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Key Risks and Uncertainties (continued)

Being one of the major arts organisations in Hong Kong, the Company has many engagements with various partners and freelancers. In a time of depressing economy, it is important for the Company to maintain financial stability and be able to cover freelancers/contractors costs due to programme cancellations.

With the Government subvention accounting for about 50% of the Company's recurrent financial resources, and having received subsidy from the Employment Support Scheme and Anti-pandemic Fund, the Company has success in mitigating the financial impact as a result.

Despite the challenges faced by the Company, it will continue its endeavours in producing quality artistic performances to expand its audience base and attract a higher attendance rate.

Financial review

Income

Total income for 2021 amounted to HK\$32,477,973, a decrease of 15.6% comparing with HK\$38,493,687 for 2020. The decrease was mainly due to the drastic decrease in earned income as a result of the cancellation of performances and classes under the pandemic situation during the year.

The following table is the breakdown of income for the years ended 31 March 2021 and 2020:

	2021 HK\$	2020 HK\$
<u>Government subvention</u>		
Recurrent subvention	18,163,493	18,193,478
Employment support scheme	2,867,370	-
Art development matching grants scheme	6,746,134	4,866,327
	27,776,997	23,059,805
<u>Earned income</u>		
Box office income	627,918	2,285,665
Other hired engagements, education and outreach programme	1,567,264	5,315,411
Donations and sponsorships	1,925,480	7,246,322
Outbound cultural exchange	-	109,380
Other revenue	580,314	477,104
	4,700,976	15,433,882
Total income	32,477,973	38,493,687

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Financial review (continued)

Expenditure

Total expenditure for 2021 was HK\$25,400,532, representing a decrease of 24.8% over the previous year. The decrease was mainly due to the saved expenditure on cancelled performances and classes under the pandemic situation during the year.

The following table is the breakdown of expenditure for the years ended 31 March 2021 and 2020:

	2021 HK\$	2020 HK\$
Expenditure		
Production costs, other hired engagements, education and outreach programme	5,967,541	15,528,362
Personal emoluments	17,623,892	15,469,104
General overheads and other charges	1,809,099	1,786,886
Outbound cultural exchange	-	992,962
Total expenditure	25,400,532	33,777,314

Liquidity and financial resources

The Company remained financially sustainable with its Cost Recovery Rate² of 18.5% (2020 : 45.7%) in financial year 2021. The Current Ratio³ and the Reserve Ratio⁴ has been maintained at a healthy level of 9.2:1 (2020 : 18.5:1) and 1.1:1 (2020 : 0.6:1) respectively.

As at 31 March 2021, the Company had net current assets⁵ of HK\$26,979,490 (2020 : HK\$19,935,277), of which HK\$27,657,133 (2020 : HK\$17,182,151) were cash and bank balances. The Directors are confident that the Company's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Employees and remuneration policy

The Company is an equal opportunity employer. It would ensure that employees work in an environment free of discrimination, harassment, vilification, and victimization.

It will also provide a favourable environment and opportunities for stage performances, educational and cultural exchange activities, letting its artistic staff cultivate their performing arts skills and gain invaluable experience for continuous growth and development. Such opportunities will also be extended to technical and administrative staff, as appropriate, to widen their horizon on theatre culture and practices.

The performance of its employees is appraised annually as part of career development and guidance for remuneration decisions.

² Cost recovery rate (= Earned income / Total expenditure x 100%).

³ Current ratio (= Current assets⁵ / Current liabilities⁵).

⁴ Reserve ratio (= Accumulated surplus / Total expenditure).

⁵ Excluding the assets and liabilities belonging to the designated funds.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Environmental policies and performance

The Company is always conscious of its social responsibility in environmental protection. By digitalising most of its communication means, the Company keeps its printed materials such as seasonal launch brochures, house programmes, annual reports and donation forms at a minimum. Besides, the company makes every effort on energy-saving and to reuse and recycle its sets, props and costumes, to ensure it is an eco-friendly workplace and to bring theatrical arts to the public in an environmentally responsible manner.

Prospects

The outbreak of COVID-19 is expected to have a continuous impact on the local art scene in the foreseeable future. Nevertheless, the scale will hopefully be reduced gradually. The number of non-school based outreach programmes such as drama courses for children, youth and elderly is expected to resume to 80 – 90%. From experience gained in running online classes during the year, the Company will be able to change the classes' format should the pandemic situation further deteriorate. It is expected that the impact of the coronavirus will also affect the format of cultural exchange. Instead of live performances, online broadcasts is a growing trend. Although the investment in online broadcasts far exceeds the current income generated, the Company considers that it will be opportune to explore the online market both in Mainland and overseas. The Company will begin to explore theatre filming techniques as a way to stay in touch with local and overseas audiences, hoping that a new income source can be developed in the long run.

Over the long term, the Company will continue to create a wide variety of quality stage productions for the community. It will invite local and overseas drama masters, young talents, as well as professionals from other fields to stimulate creativity that can enrich its programmes through new perspectives and new ways of storytelling.

RESULTS

The results of the Company for the year ended 31 March 2021 are set out on page 8 of the financial statements.

In accordance with the Company's Articles of Association, the income and property of the Company from whatever source derived shall be applied solely towards the promotion of the object of the Company as set forth in the Company's Articles of Association.

DIRECTORS' REPORT (continued)

DIRECTORS

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

Mr. CHING, Cheung Ying
Ms. KWAN, Yuet Wah Karina
Mr. KWONG, Kam Chuen
Mr. LEE, Chi Ming
Ms. LEE, Jacqueline Ling Kiu
Mr. POON, Kai Tik
Dr. SZETO, Sau May
Mr. TSANG, Ka Fai Walter

In accordance with Articles 25 and 26 of the Company's Articles of Association, all directors shall hold office for a term of two years and shall be eligible for re-election upon expiring of the term of office.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

DIRECTORS' INTERESTS IN THE UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

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.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this directors' report, was or is there, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Chung Ying Theatre Company (HK) Limited
Year ended 31 March 2021

DIRECTORS' REPORT (continued)

AUDITOR

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

On behalf of the Board


Mr. CHING, Cheung Ying
Chairman

HONG KONG, 15 SEP 2021

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

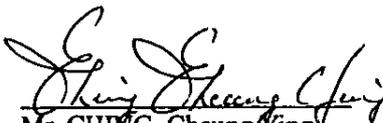
	Note	2021 HK\$	2020 HK\$
Income	2.2		
<u>Government subvention</u>			
Recurrent subvention		18,163,493	18,193,478
Employment support scheme		2,867,370	-
Art development matching grants scheme		6,746,134	4,866,327
		27,776,997	23,059,805
<u>Earned income</u>			
Box office income		627,918	2,285,665
Other hired engagements, education and outreach programme		1,567,264	5,315,411
Donations and sponsorships	5	1,925,480	7,246,322
Outbound cultural exchange		-	109,380
Other revenue	6	580,314	477,104
		4,700,976	15,433,882
		<u>32,477,973</u>	<u>38,493,687</u>
Expenditure			
Production costs, other hired engagements, Education and outreach programme		5,967,541	15,528,362
Personal emoluments		17,623,892	15,469,104
General overheads and other charges		1,809,099	1,786,886
Outbound cultural exchange		-	992,962
		<u>25,400,532</u>	<u>33,777,314</u>
Surplus for the year	7	7,077,441	4,716,373
Other comprehensive income for the year		-	-
Total surplus and comprehensive income for the year		<u>7,077,441</u>	<u>4,716,373</u>
Total surplus and comprehensive income for the year allocated to :			
- General activities		1,411,971	307,957
- Art Development Matching Grants Scheme		5,665,470	4,408,416
		<u>7,077,441</u>	<u>4,716,373</u>

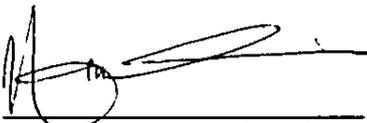
**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

	Note	2021 HK\$	2020 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	<u>85,286</u>	<u>52,058</u>
Current assets			
Deposit, prepayments and other receivables		2,613,062	3,895,171
Time deposits with banks	11	4,000,000	-
Cash and bank balances	11	<u>24,547,718</u>	<u>18,920,452</u>
		<u>31,160,780</u>	<u>22,815,623</u>
TOTAL ASSETS		<u>31,246,066</u>	<u>22,867,681</u>
RESERVES AND LIABILITIES			
Reserves			
Bernard Goss Memorial Fund	12	21,771	36,733
Lee Hysan Foundation			
- Muse Up! Youth Musical Theatre Group 2019-21 Fund	14	868,814	1,147,000
Anti-epidemic Fund	16	-	554,568
		890,585	1,738,301
Accumulated surplus		<u>27,064,776</u>	<u>19,987,335</u>
		<u>27,955,361</u>	<u>21,725,636</u>
Current liabilities			
Contract liabilities	18	2,897,182	511,020
Other payables		<u>393,523</u>	<u>631,025</u>
		<u>3,290,705</u>	<u>1,142,045</u>
TOTAL RESERVES AND LIABILITIES		<u>31,246,066</u>	<u>22,867,681</u>

Approved and authorised for issue by the Board of Directors on 15 SEP 2021

On behalf of the Board


Mr. CHING, Cheung Ying
Chairman


Ms. KWAN, Yuet Wah Karina
Treasurer

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Accumulated surplus		Lee Hysan Foundation		Contestable Funding Scheme	Anti- epidemic Fund (note 16) HK\$	Total HK\$
	General Activities HK\$	Art Development Matching Grants Scheme (note 17) HK\$	Lee Hysan Muse Up! Youth Musical Theatre Group 2017-19 Fund (note 13) HK\$	Lee Hysan Muse Up! Youth Musical Theatre Group 2019-21 Fund (note 14) HK\$			
At 1 April 2019	10,181,654	5,091,165	1,303,433	-	415,499	-	17,040,178
Donation/Fund received	-	-	-	1,147,000	100,000	1,421,125	2,668,125
Bank interest income	-	-	-	-	318	-	624
Amount utilised	(1,857)	-	(1,303,433)	-	(517,674)	(866,557)	(2,699,664)
Fund transfer	307,957	4,408,416	-	-	1,857	-	-
Surplus for the year							4,716,373
At 31 March 2020	10,487,754	9,499,581	-	1,147,000	-	554,568	21,725,636
At 1 April 2020	10,487,754	9,499,581	-	1,147,000	-	554,568	21,725,636
Donation/Fund received	-	-	-	-	-	-	-
Bank interest income	-	-	-	-	-	-	38
Amount utilised	-	-	-	(278,186)	-	(554,568)	(847,754)
Fund transfer	-	-	-	-	-	-	-
Surplus for the year	1,411,971	5,665,470	-	-	-	-	7,077,441
At 31 March 2021	11,899,725	15,165,051	-	868,814	-	-	27,955,361

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 HK\$	2020 HK\$
Cash flows from operating activities		
Surplus for the year	7,077,441	4,716,373
Adjustments for :		
Depreciation	49,756	25,985
Interest income	<u>(51,775)</u>	<u>(107,090)</u>
Operating surplus before working capital changes	7,075,422	4,635,268
Changes in working capital		
Deposit, prepayments and other receivables	1,282,109	252,532
Contract liabilities	2,386,162	(1,249,320)
Other payables	<u>(237,502)</u>	<u>(222,289)</u>
Net cash generated from operating activities	10,506,191	3,416,191
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,984)	(54,770)
(Increase) / Decrease in time deposits with bank	(4,000,000)	67,330
Interest received	51,775	107,090
Net cash (used in) / generated from investing activities	(4,031,209)	119,650
Cash flows from financing activities		
Bernard Goss Memorial Fund	(14,962)	(11,694)
Lee Hysan Foundation		
- Muse Up! Youth Musical Theatre Group 2017-19 Fund	-	(1,303,433)
- Muse Up! Youth Musical Theatre Group 2019-21 Fund	(278,186)	1,147,000
Contestable Funding Scheme		
- Treasure of tomorrow: Chung Ying Archive	-	(417,356)
Anti-epidemic Fund	(554,568)	554,568
Net cash used in financing activities	(847,716)	(30,915)
Net increase in cash and cash equivalents	5,627,266	3,504,926
Cash and cash equivalents at the beginning of the year	<u>18,920,452</u>	<u>15,415,526</u>
Cash and cash equivalents at the end of the year	<u>24,547,718</u>	<u>18,920,452</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>24,547,718</u>	<u>18,920,452</u>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

- (a) The principal activities of Chung Ying Theatre Company (HK) Limited (“the Company”) are to produce and present plays, drama and other related activities, organise education programmes, and to promote and advance the public’s interest in Hong Kong and beyond in plays, drama and related arts.
- (b) The Company is a company incorporated in Hong Kong limited by guarantee with no share capital. Under Clause 6 of the Memorandum of Association of the Company, every member of the Company undertakes to contribute, if required, an amount not exceeding the sum of HK\$100 to the assets of the Company in the event of its being wound up. The address of its registered office is G/F, 10 Borrett Road, Hong Kong.
- (c) These financial statements are presented in Hong Kong dollars (HK\$).

2 PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation and changes in accounting policies

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”) and the requirement of Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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

In the current year, the Company has applied for the first time, a number of new and revised standards, amendments, and interpretations (“new HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting period beginning on or after 1 April 2020. The application of new HKFRSs in the current year has had no material effect on the financial statements of the Company.

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

Up to the date of this report, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2021, and have not been applied in preparing these financial statements. None of these will have material effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Revenue / Income recognition

(a) Revenue from contracts with customers

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset.

Subvention, grants, subsidies and sponsorship are recognised in the statement of financial position initially at their fair value when there is a reasonable assurance that the grant will be received.

Subvention, grants, subsidies and sponsorship, which are earmarked for specific purposes, are initially recognised as deferred income. When there is reasonable assurance that the Group will comply with the conditions attaching to the grants and the grants will be received, they are recognised in the statement of income and expenditure on a systematic basis over the period necessary to match with the related costs which they are intended to compensate.

Sponsorship income is recognised when the right to receive payment is established. Sponsorship income, which is earmarked for a specific purpose, is initially recognised as revenue. When there is reasonable assurance that the Company will comply with the conditions attaching to the sponsorship. It is recognised in the statement of income and expenditure on a systematic basis over the period necessary to match with related costs which it is intended to compensate.

Public performance, box office income and education & outreach programme income are recognised as the performance and programme are provided.

(b) Donation income

Donation income is accounted for when the right to receive payment is established.

(c) Interest income

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

2.3 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment (continued)

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

Office equipment	33 1/3%
Office furniture	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each of the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.4 Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognised in prior periods. Reversals of impairment charges are credited to profit or loss in the period in which the reversals are recognised.

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Company's financial assets, including receivables, time deposits and cash and cash equivalents, are subsequently measured at amortised cost using the effective interest method, less identified impairment charges as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal account outstanding.

Financial liabilities include lease liabilities, payables and accruals. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.6 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (“ECL”) on the financial instruments that are not measured at fair value through profit or loss. The Company considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Company considers the credit risk of a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the Company has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of ECL decreases, the reversal would be adjusted to the receivable impairment charges account at the end of the reporting period. The amount of any reversal is recognised in profit or loss.

2.7 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows of the financial assets expire; or where the Company transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

2.8 Receivables, contract assets, contract liabilities and expected credit loss

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses. A contract liability is recognised when the customer pays consideration, or has an unconditional right to consideration (in such case, a corresponding receivable is recognised), before the Company recognises the related revenue.

Loss allowances for lifetime ECL on accounts receivable are estimated with reference to historical percentages of bad debts recognised to relevant revenue from customers and are recognised only when the amounts are material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Receivables, contract assets, contract liabilities and expected credit loss (continued)

Loss allowances for lifetime ECL on other financial assets measured at amortised cost are recognised if contractual payments are more than 30 days past due, unless there is reasonable and supportable information that credit risk has not increased significantly, estimated by the probability-weighted present value of all expected cash shortfalls over the expected life of the instrument. In the absence of a significant increase in credit risk since initial recognition, loss allowances for 12-month expected credit losses are estimated by the probability-weighted present value of expected cash shortfalls within 12 months after the reporting date and are recognised only when the amounts are material.

2.9 Cash and cash equivalents

Cash comprises cash at bank and on hand and demand deposits with banks. 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, having been within three months of maturity at acquisition.

2.10 Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 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 presented 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.

2.12 Employee benefit

Salaries, paid annual leave and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Employee benefit (continued)

The contributions payable to the Mandatory Provident Funds ("MPF") as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to surplus or deficit as incurred.

2.13 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.

2.14 Related parties

A related party is a person or entity that is related to the Company.

- (i) A person or a close member of that person's family is related to the Company if that person:
 - (a) has control or joint control over the Company;
 - (b) has significant influence over the Company; or
 - (c) is a member of the key management personnel of the Company.

- (ii) An entity is related to the Company if any of the following conditions applies:
 - (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) 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).
 - (h) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash. Management believes the risk related to these balances is minimal because the cash are kept in reputable bank and under safe custody of a reputable bank registered in Hong Kong.

Loss allowance on deposit and other receivables is not recognised because the Company has no significant credit risk from third parties, including risks resulting from counterparty default and risks of concentration. The Company's bank balances are deposited with financial institutions with sound credit ratings. The Company has policies in place for the control and monitoring of relevant credit risk.

(b) Liquidity risk

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

The Company's financial liabilities mainly include other payables. They were all due within one year as at 31 March 2021.

The Company also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business.

(c) Interest rate risk

Interest rate risk refers to the risk in which the fair value or further cash flows of a financial instrument will fluctuate because of change in market interest rate. The Company is exposed to interest rate risk which is attributable to the Company's cash and cash equivalents held with financial institutions. The risk is considered limited as the effect of interest rates fluctuation is expected not significant.

(d) Foreign currency risk

Most of the Company's monetary assets and liabilities are denominated in Hong Kong dollars, and the Company conducts its transactions principally in Hong Kong dollars. The exchange rate risk of the Company is not significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Company is a company limited by guarantee with no share capital. The Company's capital comprises reserves and accumulated surplus subject to certain conditions associated with the funding agreement between the Company and the Government of the Hong Kong Special Administrative Region. The Company is not subject to other internally or externally imposed capital requirements. The Company's objective of managing capital is to safeguard its ability to continue as a going concern in order to continue to promote, maintain, improve and advance of the interest of the public 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 analysis.

By guarantee, the Company's members have undertaken 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.

3.3 Fair values and estimation thereof

The carrying amounts of financial instruments at the end of the reporting period are as follows :

	2021	2020
	HK\$	HK\$
Financial assets – measured at amortised cost		
Deposit, prepayments and other receivables	2,613,062	3,895,171
Time deposits with bank	4,000,000	-
Cash and bank balances	<u>24,547,718</u>	<u>18,920,452</u>
	<u>31,160,780</u>	<u>22,815,623</u>
Financial liabilities – measured at amortised cost		
Contract liabilities	2,897,182	511,020
Other payables	<u>393,523</u>	<u>631,025</u>
	<u>3,290,705</u>	<u>1,142,045</u>

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, often equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation

The residual values, useful lives and depreciation method applied in the recognition of depreciation are reviewed, and adjusted if appropriate, at least at the end of each reporting period. In arriving at the depreciation charges, management has applied estimates to the residual values and useful life of each class of assets. Depreciation is provided on a straight-line basis over the useful life of each class of assets.

(b) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default. The Company uses judgment in making these assumptions based on the Company's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

5 DONATIONS AND SPONSORSHIPS

	2021 HK\$	2020 HK\$
Non-designated donations	148,888	299,402
Designated donations and sponsorships:		
- Productions and education projects	<u>1,776,592</u>	<u>6,946,920</u>
	<u>1,925,480</u>	<u>7,246,322</u>

For the year ended 31 March 2021, the Company received sponsorship from The Hong Kong Jockey Club Charities Trust totalling HK\$5,646,312 (2020 : HK\$3,262,277), of which HK\$1,471,863 (2020 : HK\$4,236,623) is included in the total designated donations and sponsorships for the year of HK\$1,776,592 (2020 : HK\$6,946,920).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 OTHER REVENUE

	2021	2020
	HK\$	HK\$
Bank interest income	51,775	107,090
Others	<u>528,539</u>	<u>370,014</u>
	<u>580,314</u>	<u>477,104</u>

7 SURPLUS FOR THE YEAR

	2021	2020
	HK\$	HK\$
Surplus for the year is stated after charging the following :		
Auditor's remuneration	28,000	28,000
Depreciation	49,756	25,985
Staff costs (including directors' emoluments)		
- salaries	<u>16,595,240</u>	<u>14,558,857</u>
- mandatory provident fund contributions	<u>814,825</u>	<u>719,355</u>
- training and others	<u>213,827</u>	<u>190,891</u>
	<u>17,623,892</u>	<u>15,469,103</u>

8 DIRECTORS' REMUNERATION

None of the directors received any emoluments in respect of their services rendered to the Company during the year. (2020 : nil)

9 INCOME TAX

The Company is an approved charitable institution under Section 88 of the Inland Revenue Ordinance and is exempted from Hong Kong profit tax. (2020 : nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROPERTY, PLANT AND EQUIPMENT

	Office furniture HK\$	Office equipment HK\$	Total HK\$
Cost			
At 1 April 2019	27,061	783,883	810,944
Additions	<u>30,400</u>	<u>24,370</u>	<u>54,770</u>
At 31 March 2020	57,461	808,253	865,714
Additions	<u>-</u>	<u>82,984</u>	<u>82,984</u>
At 31 March 2021	<u>57,461</u>	<u>891,237</u>	<u>948,698</u>
Accumulated depreciation			
At 1 April 2019	19,861	767,810	787,671
Charge for the year	<u>7,880</u>	<u>18,105</u>	<u>25,985</u>
At 31 March 2020	27,741	785,915	813,656
Charge for the year	<u>7,880</u>	<u>41,876</u>	<u>49,756</u>
At 31 March 2021	<u>35,621</u>	<u>827,791</u>	<u>863,412</u>
Net book value			
At 31 March 2021	<u>21,840</u>	<u>63,446</u>	<u>85,286</u>
At 31 March 2020	<u>29,720</u>	<u>22,338</u>	<u>52,058</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TIME DEPOSITS WITH BANKS / CASH AND BANK BALANCES

	2021 HK\$	2020 HK\$
Cash at banks	12,768,188	12,142,230
Bank deposits	<u>15,779,530</u>	<u>6,778,222</u>
	28,547,718	18,920,452
Less: Bank deposits matured beyond 3 months at acquisition	<u>(4,000,000)</u>	-
Cash and bank balances	<u><u>24,547,718</u></u>	<u><u>18,920,452</u></u>

These deposits have a duration of maturity an average duration of maturity ranged from 3 months to 6 months (2020: at 3 months).

12 BERNARD GOSS MEMORIAL FUND

Bernard Goss Memorial Fund was established particularly to promote creative writing of dramatic works and to encourage and advance public interest in drama in Hong Kong.

13 LEE HYSAN FOUNDATION: MUSE UP! YOUTH MUSICAL THEATRE GROUP 2017-19 FUND

The "Lee Hysan Foundation: Muse Up! Youth Musical Theatre Group 2017-19 Fund" was established with the sponsorship received from Lee Hysan Foundation to sponsor teenagers and their families, especially those from underprivileged families in Yuen Long, Tin Shui Wai and Tung Chung districts to participate in a 2-year research-based theatre training programme named "Muse Up! Youth Musical Theatre Group 2017-19".

14 LEE HYSAN FOUNDATION: MUSE UP! YOUTH MUSICAL THEATRE GROUP 2019-21 FUND

The "Lee Hysan Foundation: Muse Up! Youth Musical Theatre Group 2019-21 Fund" was established with the sponsorship received from Lee Hysan Foundation to sponsor teenagers and their families, especially those from underprivileged families in Yuen Long, Tin Shui Wai and Tung Chung districts to participate in a 2-year research-based theatre training programme named "Muse Up! Youth Musical Theatre Group 2019-21".

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 CONTESTABLE FUNDING SCHEME – TREASURE OF TOMORROW: CHUNG YING ARCHIVE

On 31 January 2018, the Company obtained funding from the Home Affairs Bureau for an amount not exceeding HK\$1,000,000 under the Contestable Funding Scheme to implement “Treasure of tomorrow: Chung Ying Archive” project during the period from 1 April 2018 to 31 October 2019.

16 ANTI-EPIDEMIC FUND

On 18 March 2020, the Company obtained funding from the Home Affairs Bureau for an amount of HK\$1,421,125 under the Anti-Epidemic Fund to support the Company and freelance arts workers to tackle the difficulties arising from the COVID-19 epidemic.

17 RESERVES UNDER ART DEVELOPMENT MATCHING GRANTS SCHEME

Art Development Matching Grants Pilot Scheme (for the Major Performing Arts Groups) First Round Funding Exercise (2016-17)

The Company has entered into a funding and services agreement and an agreement letter with the Government dated on 5 April 2016 and 25 September 2017 respectively in relation to the Art Development Matching Grants Pilot Scheme (for the Major Performing Arts Groups) First Round Funding Exercise (2016-17) (“the Matching Grants Pilot Scheme”), in which Government subsidies of HK\$3,388,894 was granted under the Matching Grants Pilot Scheme to support the development of the Company’s staffs and artists, and support and promote cultural exchanges.

Art Development Matching Grants Pilot Scheme (for the Major Performing Arts Groups) Second Round Funding Exercise (2017-18)

During the year ended 31 March 2018, the Company has applied for the Art Development Matching Grants Pilot Scheme (for the Major Performing Arts Groups) Second Round Funding Exercise (2017-18), in which Government subsidies of HK\$1,702,271 was granted under the Matching Grants Pilot Scheme to support the development of the Company’s staffs and artists, and support and promote cultural exchanges.

Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Third Round Funding Exercise (2018-19)

During the year ended 31 March 2019, the Company has applied for the Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Third Round Funding Exercise (2018-19), in which Government subsidies of HK\$4,866,327 was granted under the Matching Grants Scheme to support the development of the Company’s staffs and artists, and support and promote cultural exchanges.

Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Fourth Round Funding Exercise (2019-20)

During the year ended 31 March 2020, the Company has applied for the Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Fourth Round Funding Exercise (2019-20), in which Government subsidies of HK\$6,746,134 was granted under the Matching Grants Scheme to support the development of the Company’s staffs and artists, and support and promote cultural exchanges.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 RESERVES UNDER ART DEVELOPMENT MATCHING GRANTS SCHEME (continued)

Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Fourth Round Funding Exercise (2020-21)

During the current year, the Company has applied for the Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Fifth Round Funding Exercise (2020-21) to support the development of the Company's staffs and artists, and support and promote cultural exchanges.

	General 2021 HK\$	Matching Grants 2021 HK\$	Total 2021 HK\$	Total 2020 HK\$
Subvention income				
Government subvention	21,030,863	6,746,134	27,776,997	23,059,805
Earned income				
Box office income	627,918	-	627,918	2,285,665
Other hired engagements	674,200	-	674,200	999,979
Education and outreach programme	893,064	-	893,064	4,315,432
Donations and sponsorships	1,925,480	-	1,925,480	7,246,322
Outbound cultural exchange	-	-	-	109,380
Other revenue	580,314	-	580,314	477,104
	<u>4,700,976</u>	<u>-</u>	<u>4,700,976</u>	<u>15,433,882</u>
Total income	<u>25,731,839</u>	<u>6,746,134</u>	<u>32,477,973</u>	<u>38,493,687</u>
Expenditure				
Production costs	3,405,344	-	3,405,344	6,057,986
Other hired engagements	570,641	-	570,641	660,222
Education and outreach programme	1,991,556	-	1,991,556	8,810,154
Personal emoluments	16,747,552	876,340	17,623,892	15,469,104
General overheads	1,604,775	204,324	1,809,099	1,786,886
Outbound cultural exchange	-	-	-	992,962
Total expenditure	<u>24,319,868</u>	<u>1,080,664</u>	<u>25,400,532</u>	<u>33,777,314</u>
Surplus for the year	1,411,971	5,665,470	7,077,441	4,716,373
Balance at the beginning of the financial period	10,487,754	9,499,581	19,987,335	15,272,819
Transfer to reserves	-	-	-	(1,857)
Balance at the end of the financial period	<u>11,899,725</u>	<u>15,165,051</u>	<u>27,064,776</u>	<u>19,987,335</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 CONTRACT LIABILITIES

Contract liabilities mainly represent the grants, subsidies, sponsorship, education & outreach programme income received in advance for unearned income for the next calendar-year.

19 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 8 to 26 were approved and authorised for issue by the board of directors on 15 SEP 2021 .



Partners

黃華榮 執業會計師
 THOMAS W S WONG, FCPA (Practising)

蔡懿德 執業會計師
 ROSANNA Y T CHOI, FCPA (Practising)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
 CHUNG YING THEATRE COMPANY (HK) LIMITED
 (incorporated in Hong Kong and limited by guarantee)**

Opinion

We have audited the financial statements of Chung Ying Theatre Company (HK) Limited ("the Company") set out on pages 8 to 26, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, 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 ("HKSA") 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHUNG YING THEATRE COMPANY (HK) LIMITED (continued)

Responsibilities of directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors 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 directors 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CHUNG YING THEATRE COMPANY (HK) LIMITED (continued)**

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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 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 Accounting Standards and Accounting Guidelines.

Report on other matters under the Agreement between the Government of the Hong Kong Special Administrative Region and the Company in relation to the Art Development Matching Grants Scheme (for the Major Performing Arts Groups) Fifth Round Funding Exercise (2020-21) ("the Scheme")

We report that the Company has complied with, in all material respect, including the terms and conditions for matching the donations/sponsorships in accordance with Application Guide for the Scheme, 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 Scheme and other relevant documents such as Accounting Standards and Accounting Guidelines.

CW CPA
Certified Public Accountants

HONG KONG, 15 SEP 2021

(FOR MANAGEMENT PURPOSES ONLY)

CHUNG YING THEATRE COMPANY (HK) LIMITED

中英劇團有限公司

(incorporated in Hong Kong and limited by guarantee)

STATEMENT OF DETAILED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	2021 HK\$	2020 HK\$
Income		
<u>Government subvention</u>		
Recurrent subvention	18,163,493	18,193,478
Employment support scheme	2,867,370	-
Art development matching grants scheme	6,746,134	4,866,327
	27,776,997	23,059,805
<u>Earned income</u>		
Box office income (page 31)	627,918	2,285,665
Other hired engagements	674,200	999,979
Education and outreach programme	893,064	4,315,432
Donations and sponsorships	1,925,480	7,246,322
Outbound cultural exchange	-	109,380
Other revenue	580,314	477,104
	4,700,976	15,433,882
	<u>32,477,973</u>	<u>38,493,687</u>
Expenditure		
Production costs (page 31)	3,405,344	6,057,986
Other hired engagements	570,641	660,222
Education and outreach programme	1,991,556	8,810,154
Personal emoluments	17,623,892	15,469,104
General overheads and other charges (page 32)	1,809,099	1,786,886
Outbound cultural exchange	-	992,962
	25,400,532	33,777,314
Surplus for the year	7,077,441	4,716,373
Other comprehensive income for the year	-	-
Total surplus and comprehensive income for the year	<u>7,077,441</u>	<u>4,716,373</u>

(FOR MANAGEMENT PURPOSES ONLY)

CHUNG YING THEATRE COMPANY (HK) LIMITED
中英劇團有限公司

(incorporated in Hong Kong and limited by guarantee)

BOX OFFICE INCOME AND PRODUCTION COSTS
FOR THE YEAR ENDED 31 MARCH 2021

	2021 HK\$	2020 HK\$
Income		
Box office income	627,918	2,285,665
Expenditure		
Venue rental	128,622	699,850
Guest director, playwright and designer	640,712	1,116,225
Freelance actor and actress	426,500	794,000
Specialists and temporary staff	274,744	418,448
Royalties and copyrights	19,402	57,566
Travelling and transportation	21,667	43,014
Purchase of sets, costume and other materials	1,030,839	1,946,593
Advertising, marketing and promotion	755,471	794,059
Others	107,387	188,231
	<u>3,405,344</u>	<u>6,057,986</u>
Net deficit	<u>(2,777,426)</u>	<u>(3,772,321)</u>

(FOR MANAGEMENT PURPOSES ONLY)

CHUNG YING THEATRE COMPANY (HK) LIMITED

中英劇團有限公司

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**GENERAL OVERHEADS AND OTHER CHARGES
FOR THE YEAR ENDED 31 MARCH 2021**

	2021	2020
	HK\$	HK\$
Auditor's remuneration	28,000	28,000
Bank charge	15,363	8,537
Cleaning	76,002	21,641
Copy and printing	68,324	77,171
Depreciation	49,756	25,985
Employment compensation	148,610	122,925
Entertainment	785	4,566
Equipment and storage	71,872	62,451
Staff welfare	4,461	5,976
Marketing expenditure	742,361	880,032
Postage	10,123	6,646
Recruitment	20,496	15,904
Rent and rates	17,800	29,540
Repairs and maintenance	166,079	130,562
Service fee	7,800	5,000
Stationery	48,770	24,003
Sundry expenses	87,372	66,540
Telephone and internet	101,458	103,111
Transportation	43,593	47,816
Utilities	100,074	120,480
	<u>1,809,099</u>	<u>1,786,886</u>