

HONG KONG MARITIME MUSEUM LIMITED
(Trading in name of HONG KONG MARITIME MUSEUM)

AUDITED FINANCIAL STATEMENTS

31 MARCH 2017

DIRECTORS' REPORT

The directors herewith submit their annual report and the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the company are management and operation of a museum under the trading name of "HONG KONG MARITIME MUSEUM", admission tickets selling and souvenir retailing.

RESULTS

The results of the company for the year ended 31 March 2017 and the state of the company's affairs as at that date are set out in the financial statements.

DIVIDENDS

No dividend is recommended by the directors during the year.

DIRECTORS

The directors who held office during the year and up to the date of this report were:-

CHAN Yiu Kei
CHEN Yee, Andrew
CHIN Kong, James
KOO Chee Chow David
KOO Chee Kong, Kenneth
NG Wai Lun
SHIU Ian Sai Cheung
TAM Kwong Lim
TUNG Lieh Sing Alan
WAUNG Sik Ying, William

In accordance with the company's Articles of Association, all existing directors shall remain in office.

PERMITTED INDEMNITY PROVISION

At no time during the year were there any permitted indemnity provisions in force for the benefit of one or more directors of the company.

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

No director or any connected entities of a director of the company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the company's business to which the company was or is a party that subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Except as disclosed in note 17 to the financial statements, no contract concerning the management and administration of the whole or any substantial part of the business of the company was entered into or existed during the year.

BUSINESS REVIEW

The company falls within reporting exemption for the current year. Accordingly, the company is exempted from preparing a business review.

DIRECTORS' REPORT (CONT'D)

EQUITY-LINKED ARRANGEMENT

At no time during the year was the company entered into any equity-linked arrangement.

AUDITOR

C & T Associates CPA Limited, retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of C & T Associates CPA Limited as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



SHIU Ian Sai Cheung
Director

Date: 13 September 2017

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF HONG KONG MARITIME MUSEUM LIMITED
(Trading in the name of "HONG KONG MARITIME MUSEUM")
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the financial statements of Hong Kong Maritime Museum Limited ("the company") set out on pages 5 to 20, which comprise the statement of financial position as at 31 March 2017, and the statement of 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 2017, 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").

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.

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 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 HKSA 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

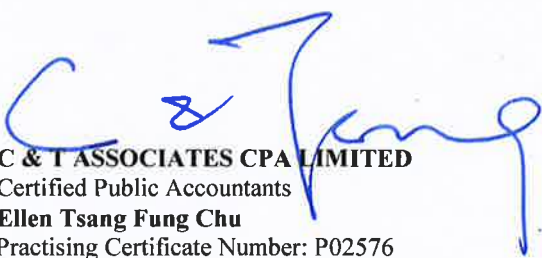


AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Cont'd)

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.
- 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 those charged with governance 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.



C & T ASSOCIATES CPA LIMITED
Certified Public Accountants
Ellen Tsang Fung Chu
Practising Certificate Number: P02576
Hong Kong

13 SEP 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	<i>Note</i>	2017 <u>HK\$</u>	2016 <u>HK\$</u>
REVENUE	5	3,115,696	2,144,947
Other income	6	7,769,924	6,318,334
Government subvention - operation grant		4,429,000	4,429,000
Government subvention - vibration assessment grant		---	128,000
Designated programme fund - strategic development grant		62,321	442,885
Designated programme fund - schools travel grant		83,230	---
Designated programme fund - music programme		89,000	---
Designated programme fund - AFCD biodiversity education		61,123	---
Ship bridge simulator sponsorship		93,657	726,159
Cost of goods sold		(913,591)	(741,087)
Depreciation		(152,092)	(172,792)
Staff costs		(10,920,376)	(9,407,825)
Vibration impact mitigation - vibration assessment grant from the Government of the HKSAR		---	(128,000)
Designated programme expenses - strategic development plan		(62,321)	(442,885)
Designated programme expenses - schools travel grant		(83,230)	---
Designated programme expenses - music programme		(89,000)	---
Designated programme expenses - AFCD biodiversity education		(61,123)	---
Ship bridge simulator expenses		(93,657)	(726,159)
Operating expenses		(7,233,854)	(9,652,822)
LOSS BEFORE TAXATION	7	(3,905,293)	(7,082,245)
Income tax	9	---	---
LOSS FOR THE YEAR		(3,905,293)	(7,082,245)
Other comprehensive income		---	---
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,905,293)	(7,082,245)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	<i>Note</i>	2017 <u>HK\$</u>	2016 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	<u>188,296</u>	<u>284,179</u>
CURRENT ASSETS			
Inventories	11	907,435	942,727
Trade and other receivables	12	662,931	723,042
Cash and cash equivalents		<u>1,685,843</u>	<u>677,122</u>
		<u>3,256,209</u>	<u>2,342,891</u>
CURRENT LIABILITIES			
Trade and other payables	13	1,646,703	2,690,684
Provision for long service payment	14	<u>63,009</u>	<u>78,659</u>
		<u>1,709,712</u>	<u>2,769,343</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,546,497</u>	<u>(426,452)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,734,793</u>	<u>(142,273)</u>
NON-CURRENT LIABILITIES			
Amount due to the holding entity	15	<u>(66,511,817)</u>	<u>(60,729,458)</u>
NET LIABILITIES		<u>(64,777,024)</u>	<u>(60,871,731)</u>
CAPITAL AND RESERVES			
Share capital	16	2	2
Accumulated losses		<u>(64,777,026)</u>	<u>(60,871,733)</u>
		<u>(64,777,024)</u>	<u>(60,871,731)</u>



SHIU Ian Sai Cheung
Director



CHEN Yee, Andrew
Director

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31.3.2015	2	(53,789,488)	(53,789,486)
Total comprehensive loss for the year	---	(7,082,245)	(7,082,245)
Balance at 31.3.2016 and 1.4.2016	2	(60,871,733)	(60,871,731)
Total comprehensive loss for the year	---	(3,905,293)	(3,905,293)
Balance at 31.3.2017	2	(64,777,026)	(64,777,024)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	<u>HK\$</u>	<u>HK\$</u>
OPERATING ACTIVITIES		
Loss before taxation	(3,905,293)	(7,082,245)
Adjustments for:		
Depreciation	152,092	172,792
(Reversal of provision)/provision for long service payment	(15,650)	57,821
(Reversal of provision)/provision for inventories	(85,192)	398,519
Interest income	(40)	(26)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	<u>(3,854,083)</u>	<u>(6,453,139)</u>
Decrease/(increase) in inventories	120,484	(84,048)
Decrease in accounts receivables	40,794	652,095
(Increase)/decrease in rental, utilities and other deposits	(13,443)	88,480
Decrease/(increase) in prepayments	32,760	(42,994)
Decrease in accounts payables and accrued expenses	(1,253,869)	(1,263,925)
Increase in temporary receipts	209,888	1,751
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,717,469)</u>	<u>(7,101,780)</u>
INVESTING ACTIVITIES		
Payment for the purchase of property, plant and equipment	(56,209)	(4,009,579)
Expenditure on property, plant and equipment	---	(726,159)
Grants related to property, plant and equipment	---	4,700,000
Bank interest received	40	26
NET CASH USED IN INVESTING ACTIVITIES	<u>(56,169)</u>	<u>(35,712)</u>
FINANCING ACTIVITIES		
Net advance from the holding entity	5,782,359	4,659,008
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>5,782,359</u>	<u>4,659,008</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,008,721	(2,478,484)
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>677,122</u>	<u>3,155,606</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>1,685,843</u></u>	<u><u>677,122</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
	2017	2016
	<u>HK\$</u>	<u>HK\$</u>
Cash and bank balances	<u><u>1,685,843</u></u>	<u><u>677,122</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL

The company is incorporated as a private limited company in accordance with Companies Ordinance in Hong Kong. The address of registered office of the company is Suite B, 12/F, Two Chinachem Plaza, 135 Des Voeux Road Central, Hong Kong. The address of principal place of business of the company is Central Pier 8, Central, Hong Kong. The holding entity is Hong Kong Maritime Museum Trust, a non-profit organisation.

The principal activities of the company are management and operation of a museum under the trading name of "Hong Kong Maritime Museum", admission tickets selling and souvenir retailing.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

The company has adopted all the new or revised standards, amendments and interpretations [herein collectively referred to as HKFRSs defined in note 3(b)] issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) that are effective for the current accounting period. The adoption of these new or revised standards, amendments and interpretations to standards has not had any significant effect on the accounting policies or result and financial position of the company.

The HKICPA has issued a number of new or revised HKFRSs that are not yet effective, and the company has not early adopted in these financial statements.

The company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the directors have concluded that while the adoption of the new or revised HKFRSs, may result in new or amended disclosure, these are unlikely to have a significant impact on the company's result of operations and financial position.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) *Going concern*

Notwithstanding the deficiency of net assets, the financial statements have been prepared on a going concern basis, as the holding entity has agreed to provide financial support and assistance as and when required in order to maintain the company as a going concern.

It is not considered, therefore, that any significant adjustments would need to be made to reduce the value of assets to their recoverable amount, to provide for any additional liabilities or to reclassify assets and liabilities.

(b) *Basis of preparation*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the company is set out below.

The measurement basis used in the preparation of the financial statements is historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) *Basis of preparation* (Cont'd)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs have no significant effect on the financial statements and management estimates no significant risk of material adjustment in the next year.

(c) *Property, plant and equipment and depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided to charge the cost of depreciable assets over their estimated useful lives on straight line basis, at the following rates per annum:-

Furniture and equipment	20%
Computer equipment	30%
Leasehold improvement	33.33%

Where parts of property, plant and equipment have the different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the company. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

(d) *Inventories*

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) *Inventories* (Cont'd)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as expenses in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(e) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(f) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and balances with banks, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into 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.

(g) *Impairment of assets*

(i) *Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through statement of comprehensive income. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) *Impairment of assets* (Cont'd)

(ii) *Impairment of other assets* (Cont'd)

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognised in statement of comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

- *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to statement of comprehensive income in the year in which the reversals are recognised.

(h) *Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) *Related parties*

For the purpose of these financial statements, related party includes a person and entity as defined below:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) *Related parties* (Cont'd)

(b) An entity is related to the company if any of the following conditions applies:

- (i) 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).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(j) *Grants from government or third parties*

Grants are recognised when there is reasonable assurance that they will be received and that the company will comply with the conditions attaching to them.

Grants related to assets are deducted in calculating the carrying amount of the assets. Grants that compensate the company for expenses incurred are recognised as an income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(k) *Employee benefits*

Salaries, annual bonuses, paid annual leave, leave passage 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, provisions are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

The company operates defined contribution retirement schemes (including the Mandatory Provident Fund) for its employees, the assets of which are generally held in separate trustee - administered funds. The schemes are generally funded by payments from the company and employees.

The company's contributions to the defined contribution schemes are recognised as an expense in the statement of comprehensive income in the period to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) *Foreign currency translation*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(m) *Operating lease*

Rental payable under operating lease are charged to the statement of comprehensive income on a straight-line basis over the periods of the respective leases.

(n) *Income tax*

The company is under Section 88 of the Inland Revenue Ordinance (Cap. 112) to exemption from tax with effect from 15 July 2011, therefore no provision for Hong Kong Profits Tax is made.

(o) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discount.

- (i) Admission income is recognised when the tickets are issued to the customers.
- (ii) Management fee income is recognised when the management services have been provided to the customers.
- (iii) Membership fee income from public programs is recognised when membership is granted to the customers.
- (iv) Sales of goods are recognised when goods are delivered to customers and title has passed.
- (v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, management has made the following accounting judgments:

Provision for inventories

When there is objective evidence of an impairment loss, the company takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. At the end of the reporting period, the carrying amount of inventories is HK\$907,435, net off with impairment provision of HK\$663,266 (2016: HK\$942,727, net off with impairment provision of HK\$748,458). Details are set out in note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

5. REVENUE

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Admission income	1,595,519	1,116,765
Management fee income	1	1
Membership fee income	29,050	19,300
Sales of gifts and souvenirs	<u>1,491,126</u>	<u>1,008,881</u>
	<u>3,115,696</u>	<u>2,144,947</u>

6. OTHER INCOME

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Café income	616,494	426,105
Donations received	51,298	26,172
Exchange gain	39,013	9,923
Exhibition sponsorship	---	652,000
Fundraising income	1,588,296	668,826
Guided tour	9,750	7,000
Interest income	40	26
Public programs	811,673	534,089
Raffle ticket	6,200	---
Research and services	25,410	336,270
Sundry income	65,125	63,215
Venue hire	<u>4,556,625</u>	<u>3,594,708</u>
	<u>7,769,924</u>	<u>6,318,334</u>

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging and (crediting) the following:-

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Exhibition administration (<i>excluding staff costs</i>)	---	215,181
(Reversal of provision)/provision for inventories	(85,192)	398,519
Rent paid under operating lease	252,000	252,000
Staff costs		
- Salaries, wages and other benefits	10,569,906	9,025,180
- (Reversal of provision)/provision for long service payment	(15,650)	57,821
- Retirement benefit costs	<u>366,120</u>	<u>324,824</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

8. BENEFITS AND INTEREST OF DIRECTORS

The following disclosures are made pursuant to Section 383(1)(a) to (f) of the Hong Kong Companies Ordinance and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation:-

During the year, no emoluments, retirement benefits, payments or benefits in respect of terminations of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2016: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: None).

No directors of the company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the company's business to which the company was or is a party that subsisted at the end of the year or at any time during the year (2016: None).

9. INCOME TAX IN THE STATEMENT OF COMPREHENSIVE INCOME

No provision for Hong Kong Profits Tax has been made in the financial statements as the company is entitled to exemption under Section 88 of the Inland Revenue Ordinance (Cap. 112) with effect from 15 July 2011.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$</i>	Furniture & equipment <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
<u>Cost</u>				
As at 1.4.2015	272,540	575,425	399,739	1,247,704
Additions	---	3,989,099	20,480	4,009,579
Grant received	---	(3,973,841)	---	(3,973,841)
As at 31.3.2016 and 1.4.2016	272,540	590,683	420,219	1,283,442
Additions	---	46,321	9,888	56,209
Disposals	---	(495)	(5,470)	(5,965)
As at 31.3.2017	272,540	636,509	424,637	1,333,686
<u>Accumulated depreciation</u>				
As at 1.4.2015	272,540	259,072	294,859	826,471
Charge for the year	---	104,476	68,316	172,792
As at 31.3.2016 and 1.4.2016	272,540	363,548	363,175	999,263
Charge for the year	---	110,535	41,557	152,092
Disposals	---	(495)	(5,470)	(5,965)
As at 31.3.2017	272,540	473,588	399,262	1,145,390
<u>Net book value</u>				
As at 31.3.2017	---	162,921	25,375	188,296
As at 31.3.2016	---	227,135	57,044	284,179

A designated grant of HK\$4,700,000 in total received in the year ended 2016 was related to the company's Ship Bridge Simulator project, of which HK\$3,973,841 was deducted in calculating the carrying amount of the qualifying assets and HK\$726,159 was recognised as an income in year ended 2016 in which the expenses were incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

11. INVENTORIES

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Merchandise	1,570,701	1,691,185
Less: Provision for inventories	<u>(663,266)</u>	<u>(748,458)</u>
	<u>907,435</u>	<u>942,727</u>

12. TRADE AND OTHER RECEIVABLES

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Accounts receivables	128,699	169,493
Rental, utilities and other deposits	253,800	240,357
Prepayments	<u>280,432</u>	<u>313,192</u>
	<u>662,931</u>	<u>723,042</u>

All trade and other receivables are denominated in Hong Kong dollars. Accounts receivables of HK\$128,699 (2015: HK\$169,493) are expected to be recovered within one year.

13. TRADE AND OTHER PAYABLES

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Accounts payables and accrued expenses	1,407,643	2,661,512
Temporary receipts	<u>239,060</u>	<u>29,172</u>
	<u>1,646,703</u>	<u>2,690,684</u>

All trade and other payables are denominated in Hong Kong dollars. Accounts payables and accrued expenses are expected to be settled within one year.

14. PROVISION FOR LONG SERVICE PAYMENT

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Balance brought forward	78,659	20,838
(Reversal of provision)/provision for the year	<u>(15,650)</u>	<u>57,821</u>
Balance carried forward	<u>63,009</u>	<u>78,659</u>

15. AMOUNT DUE TO THE HOLDING ENTITY

The amount is unsecured, interest-free and not repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

16. SHARE CAPITAL

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Issued and fully paid: 2 ordinary shares	<u>2</u>	<u>2</u>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the company had the following transactions with the related party:-

<u>Name of related party</u>	<u>Relationship</u>	<u>Nature</u>	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Hong Kong Maritime Museum Trust	Holding entity	Management fee income	<u>1</u>	<u>1</u>
		Amount due to the holding entity	<u>66,511,817</u>	<u>60,729,458</u>
Hong Kong Maritime Museum Endowment Trust	Related trust	Designated grant	<u>---</u>	<u>4,700,000</u>

The balance with the holding entity is unsecured, interest-free and not repayable within one year.

18. CAPITAL MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern through the continuity of financial support from its holding entity. The company is not subject to externally imposed capital requirements. There have been no material changes in the company's capital management strategy during the year.

19. CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>2,068,342</u>	<u>1,086,972</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>68,221,529</u>	<u>63,498,801</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

20. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, foreign currency risk and equity price risk arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

(a) Credit risk

The company's credit risk is primarily attributable to trade and other receivables, and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Majority of cash is placed in various authorised institutions.

Bank balances are placed in authorised institutions and directors of the company consider the credit risk for such is minimal.

An aging analysis of accounts receivables, net of provisions, as at the reporting date is as follow:-

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Not past due	128,699	169,493
Past due, aged 0 - 30 days	---	---
Past due, aged 31 - 90 days	---	---
Past due, aged over 90 days	---	---
	<u>128,699</u>	<u>169,493</u>

(b) Liquidity risk

The company maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short and longer term.

The following details the company's non-derivative financial liabilities and the earliest date the company can be required to pay:

	2017			2016		
	Within one year or on demand <u>HK\$</u>	Over five years <u>HK\$</u>	Total <u>HK\$</u>	Within one year or on demand <u>HK\$</u>	Over five years <u>HK\$</u>	Total <u>HK\$</u>
Trade and other payables	1,646,703	---	1,646,703	2,690,684	---	2,690,684
Provision for long service payment	63,009	---	63,009	78,659	---	78,659
Amount due to the holding entity	---	66,511,817	66,511,817	---	60,729,458	60,729,458
	<u>1,709,712</u>	<u>66,511,817</u>	<u>68,221,529</u>	<u>2,769,343</u>	<u>60,729,458</u>	<u>63,498,801</u>

(c) Interest rate risk

The company does not have any borrowing and therefore no significant exposure to interest rate risk.

(d) Foreign currency risk

Most of the assets and liabilities of the company are denominated in Hong Kong dollars. The company does not have significant exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D)

20. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) *Equity price risk*

The company does not have any quoted and/or unquoted equity investment in other entities and movements in its own equity share price, and therefore no significant exposure to equity risk.

(f) *Fair values of financial instruments*

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2017 and 2016.

21. OPERATING LEASE COMMITMENT

At 31 March 2017, the future minimum lease payments under non-cancellable operating leases are as follows:-

	2017 <u>HK\$</u>	2016 <u>HK\$</u>
Operating leases which expire:		
- within one year	252,000	252,000
- In the second to fifth years inclusive	<u>11,200</u>	<u>263,200</u>
	<u>263,200</u>	<u>515,200</u>

22. HOLDING ENTITY

As at 31 March 2017, the directors consider that the company is the wholly owned subsidiary of Hong Kong Maritime Museum Trust.

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 13 September 2017.