

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

AUDITED FINANCIAL STATEMENTS

31 MARCH 2016

DIRECTORS' REPORT

The directors herewith submit their annual report and the audited financial statements for the year ended 31 March 2016.

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 retailing.

RESULTS

The results of the company for the year ended 31 March 2016 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
TUNG Lih Sing Alan
WAUNG Sik Ying, William
TAM Kwong Lim
SHIU Ian Sai Cheung
NG Wai Lun

(appointed on 20 May 2015)

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: 16 August 2016

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)

We have audited the financial statements of Hong Kong Maritime Museum Limited (the "company") set out on pages 4 to 19, which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.


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

16 AUG 2016

HONG KONG MARITIME MUSEUM LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	<i>Note</i>	2016 <u>HK\$</u>	2015 <u>HK\$</u>
REVENUE	5	2,144,947	1,925,738
Other income	6	6,318,334	22,565,497
Government subvention - consultancy studies grant		---	963,400
Government subvention - capital grant		---	18,220,883
Government subvention - operation grant		4,429,000	4,429,000
Government subvention - vibration assessment grant		128,000	---
Designated programme fund - strategic development grant		442,885	---
Ship bridge simulator sponsorship		726,159	---
Cost of goods sold		(741,087)	(561,508)
Depreciation		(172,792)	(304,612)
Staff costs		(9,407,825)	(9,851,877)
Relocation and expansion - consultancy studies grant from the Government of the HKSAR		---	(963,400)
Relocation and expansion - capital grant from the Government of the HKSAR		---	(18,220,883)
Vibration impact mitigation - vibration assessment grant from the Government of the HKSAR		(128,000)	---
Designated programme expenses - strategic development plan		(442,885)	---
Ship bridge simulator expenses		(726,159)	---
Operating expenses		(9,652,822)	(23,924,267)
LOSS BEFORE TAXATION	7	(7,082,245)	(5,722,029)
Income tax	9	---	---
LOSS FOR THE YEAR		(7,082,245)	(5,722,029)
Other comprehensive income		---	---
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(7,082,245)	(5,722,029)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	<i>Note</i>	2016 <u>HK\$</u>	2015 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	<u>284,179</u>	<u>421,233</u>
CURRENT ASSETS			
Inventories	11	942,727	1,257,198
Trade and other receivables	12	723,042	1,420,623
Cash and cash equivalents		<u>677,122</u>	<u>3,155,606</u>
		<u>2,342,891</u>	<u>5,833,427</u>
CURRENT LIABILITIES			
Trade and other payables	13	2,690,684	3,952,858
Provision for long service payment	14	<u>78,659</u>	<u>20,838</u>
		<u>2,769,343</u>	<u>3,973,696</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(426,452)</u>	<u>1,859,731</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(142,273)</u>	<u>2,280,964</u>
NON-CURRENT LIABILITIES			
Amount due to the holding entity	15	<u>(60,729,458)</u>	<u>(56,070,450)</u>
NET LIABILITIES		<u>(60,871,731)</u>	<u>(53,789,486)</u>
CAPITAL AND RESERVES			
Share capital	16	2	2
Accumulated losses		<u>(60,871,733)</u>	<u>(53,789,488)</u>
		<u>(60,871,731)</u>	<u>(53,789,486)</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 2016

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31.3.2014	2	(48,067,459)	(48,067,457)
Total comprehensive loss for the year	<u>---</u>	<u>(5,722,029)</u>	<u>(5,722,029)</u>
Balance at 31.3.2015 and 1.4.2015	2	(53,789,488)	(53,789,486)
Total comprehensive loss for the year	<u>---</u>	<u>(7,082,245)</u>	<u>(7,082,245)</u>
Balance at 31.3.2016	<u>2</u>	<u>(60,871,733)</u>	<u>(60,871,731)</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	<u>HK\$</u>	<u>HK\$</u>
OPERATING ACTIVITIES		
Loss before taxation	(7,082,245)	(5,722,029)
Adjustments for:		
Depreciation	172,792	304,612
Loss on disposal of property, plant and equipment	---	5,345
Write off of intangible asset	---	2,688
Provision/(reversal of provision) for long service payment	57,821	(47,015)
Provision for inventories	398,519	349,939
Interest income	(26)	(59)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	<u>(6,453,139)</u>	<u>(5,106,519)</u>
(Increase)/decrease in inventories	(84,048)	410,008
Decrease in accounts receivables	652,095	498,250
Decrease in rental, utility and sundry deposits	88,480	95,516
Increase in prepayments	(42,994)	(36,192)
(Decrease)/increase in accounts payables and accrued expenses	(1,263,925)	1,817,689
Increase/(decrease) in temporary receipts	1,751	(1,884,632)
NET CASH USED IN OPERATING ACTIVITIES	<u>(7,101,780)</u>	<u>(4,205,880)</u>
INVESTING ACTIVITIES		
Payment for the purchase of property, plant and equipment	(4,009,579)	(777,180)
Expenditure on property, plant and equipment	(726,159)	---
Grants related to property, plant and equipment	4,700,000	514,647
Expenditure on intangible asset	---	(176,855)
Fund support for intangible asset	---	180,000
Bank interest received	26	59
NET CASH USED IN INVESTING ACTIVITIES	<u>(35,712)</u>	<u>(259,329)</u>
FINANCING ACTIVITIES		
Net advance from the holding entity	4,659,008	6,922,467
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>4,659,008</u>	<u>6,922,467</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,478,484)	2,457,258
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>3,155,606</u>	<u>698,348</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>677,122</u></u>	<u><u>3,155,606</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
	2016	2015
	<u>HK\$</u>	<u>HK\$</u>
Cash and bank balances	<u><u>677,122</u></u>	<u><u>3,155,606</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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 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 2016 (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 2016 (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 2016 (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 2016 (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 2016 (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\$942,727, net off with impairment provision of HK\$748,458 (2015: HK\$1,257,198, net off with impairment provision of HK\$349,939). Details are set out in note 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016 (CONT'D)

5. REVENUE

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Admission income	1,116,765	1,100,681
Management fee income	1	1
Membership fee income	19,300	15,300
Sales of gifts and souvenirs	1,008,881	809,756
	<u>2,144,947</u>	<u>1,925,738</u>

6. OTHER INCOME

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Café income	426,105	319,730
Donations received	26,172	110,668
Exchange gain	9,923	4,440
Exhibition sponsorship	652,000	16,915,650
Fundraising income	668,826	1,058,509
Guided tour	7,000	12,700
Interest income	26	59
Public programs	534,089	1,218,805
Raffle ticket	---	62,640
Research and services	336,270	6,600
Sundry income	63,215	42,935
Venue hire	3,594,708	2,812,761
	<u>6,318,334</u>	<u>22,565,497</u>

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:-

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Exhibition administration (<i>excluding staff costs</i>)	215,181	14,690,517
Loss on disposal of property, plant and equipment	---	5,345
Provision for inventories	398,519	349,939
Rent paid under operating lease	252,000	252,000
Staff costs		
- Salaries, wages and other benefits	9,025,180	9,543,327
- Provision/(reversal of provision) for long service payment	57,821	(47,015)
- Retirement benefit costs	324,824	355,565
	<u>9,765,824</u>	<u>10,251,877</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016 (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 (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: 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 (2015: 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 1.4.2014	272,540	420,956	370,052	1,063,548
Additions	---	674,564	102,616	777,180
Disposals	---	(5,448)	(72,929)	(78,377)
Grant received	---	(514,647)	---	(514,647)
As at 31.3.2015 and 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	272,540	590,683	420,219	1,283,442
<u>Accumulated depreciation</u>				
As at 1.4.2014	181,693	163,097	250,101	594,891
Charge for the year	90,847	97,292	116,473	304,612
Disposals	---	(1,317)	(71,715)	(73,032)
As at 31.3.2015 and 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	272,540	363,548	363,175	999,263
<u>Net book value</u>				
As at 31.3.2016	---	227,135	57,044	284,179
As at 31.3.2015	--	316,353	104,880	421,233

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016 (CONT'D)

11. INVENTORIES

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Merchandise	1,691,185	1,607,137
Less: Provision for inventories	<u>(748,458)</u>	<u>(349,939)</u>
	<u>942,727</u>	<u>1,257,198</u>

12. TRADE AND OTHER RECEIVABLES

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Accounts receivables	169,493	821,588
Rental, utility and sundry deposits	240,357	328,837
Prepayments	<u>313,192</u>	<u>270,198</u>
	<u>723,042</u>	<u>1,420,623</u>

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

13. TRADE AND OTHER PAYABLES

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Accounts payables and accrued expenses	2,661,512	3,925,437
Temporary receipts	<u>29,172</u>	<u>27,421</u>
	<u>2,690,684</u>	<u>3,952,858</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

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Balance brought forward	20,838	67,853
Provision/(reversal of provision) for the year	<u>57,821</u>	<u>(47,015)</u>
Balance carried forward	<u>78,659</u>	<u>20,838</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 2016 (CONT'D)

16. SHARE CAPITAL

	2016 <u>HK\$</u>	2015 <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:-

<i>Name of related party</i>	<i>Relationship</i>	<i>Nature</i>	2016 <u>HK\$</u>	2015 <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>60,729,458</u>	<u>56,070,450</u>
Hong Kong Maritime Museum Endowment Trust	Related trust	Designated grant	<u>4,700,000</u>	<u>---</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

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>1,086,972</u>	<u>4,306,031</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>63,498,801</u>	<u>60,044,146</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016 (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:-

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Not past due	169,493	821,588
Past due, aged 0 - 30 days	---	---
Past due, aged 31 - 90 days	---	---
Past due, aged over 90 days	---	---
	<u>169,493</u>	<u>821,588</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:

	2016			2015		
	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	2,690,684	---	2,690,684	3,952,858	---	3,952,858
Provision for long service payment	78,659	---	78,659	20,838	---	20,838
Amount due to the holding entity	---	60,729,458	60,729,458	---	56,070,450	56,070,450
	<u>2,769,343</u>	<u>60,729,458</u>	<u>63,498,801</u>	<u>3,973,696</u>	<u>56,070,450</u>	<u>60,044,146</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 2016 (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 2016 and 2015.

21. OPERATING LEASE COMMITMENT

At 31 March 2016, the future minimum lease payments under non-cancellable operating leases are as follows:-

	2016 <u>HK\$</u>	2015 <u>HK\$</u>
Operating leases which expire:		
- within one year	252,000	252,000
- In the second to fifth years inclusive	<u>263,200</u>	<u>515,200</u>
	<u>515,200</u>	<u>767,200</u>

22. HOLDING ENTITY

As at 31 March 2016, 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 16 August 2016.