

HONG KONG MARITIME MUSEUM LIMITED

(Trading in name of HONG KONG MARITIME MUSEUM)

AUDITED FINANCIAL STATEMENTS

31 MARCH 2019

DIRECTORS' REPORT

The directors herewith submit their annual report and the audited financial statements for the year ended 31 March 2019.

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 2019 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 Lih Sing Alan
WAUNG Sik Ying, William
ZINKE Jon William (appointed on 7 June 2018)
FUNG Kam Wing (appointed on 8 March 2019)
BUTTERY Christopher Richard (appointed on 8 March 2019)

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.

DIRECTORS' REPORT (CONT'D)

BUSINESS REVIEW

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

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: **27 AUG 2019**

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 23, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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 ("HKSAs") 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 directors' 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.

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 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.
- 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

10/F Chiu Lung Building

25 Chiu Lung Street

Central

Hong Kong

27 AUG 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019


	<i>Note</i>	2019 <u>HK\$</u>	2018 <u>HK\$</u>
REVENUE	5	3,454,846	3,486,342
Other income	6	7,645,792	7,886,723
Government subvention - operation grant		6,000,000	4,429,000
Designated programme fund - MATF education pack		267,029	1,050,000
Designated programme fund - Story of High Island		269,079	25,480
Designated programme fund - strategic development grant		1,343	74,850
Designated programme fund - schools travel grant		80,890	28,000
Designated programme fund - AFCD biodiversity education		99,437	---
Designated programme fund - Art Day Camp		100,000	---
Designated programme fund - maintenance grant		36,500	---
Cost of goods sold		(847,342)	(913,292)
Depreciation		(108,664)	(87,320)
Staff costs		(11,642,370)	(10,908,393)
Designated programme expenses - MATF education pack		(267,029)	(1,050,000)
Designated programme expenses - Story of High Island		(269,079)	(25,480)
Designated programme expenses - strategic development grant		(1,343)	(74,850)
Designated programme expenses - schools travel grant		(80,890)	(28,000)
Designated programme expenses - AFCD biodiversity education		(99,437)	---
Designated programme expenses - Art Day Camp		(100,000)	---
Designated programme expenses - maintenance grant		(36,500)	---
Operating expenses		<u>(11,559,940)</u>	<u>(8,207,172)</u>
LOSS BEFORE TAXATION	7	(7,057,678)	(4,314,112)
Income tax	9	<u>---</u>	<u>---</u>
LOSS FOR THE YEAR		(7,057,678)	(4,314,112)
Other comprehensive income		<u>---</u>	<u>---</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(7,057,678)</u>	<u>(4,314,112)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	<i>Note</i>	2019 <u>HK\$</u>	2018 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	<u>224,932</u>	<u>124,376</u>
CURRENT ASSETS			
Inventories	11	809,697	542,122
Trade and other receivables	12	633,810	1,833,215
Cash and cash equivalents		<u>2,167,056</u>	<u>1,227,012</u>
		<u>3,610,563</u>	<u>3,602,349</u>
CURRENT LIABILITIES			
Trade and other payables	13	2,736,409	2,198,989
Provision for long service payment	14	86,004	66,772
		<u>2,822,413</u>	<u>2,265,761</u>
NET CURRENT ASSETS		<u>788,150</u>	<u>1,336,588</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,013,082</u>	<u>1,460,964</u>
NON-CURRENT LIABILITIES			
Amount due to the holding entity	15	<u>(77,161,896)</u>	<u>(70,552,100)</u>
NET LIABILITIES		<u>(76,148,814)</u>	<u>(69,091,136)</u>
CAPITAL AND RESERVES			
Share capital	16	2	2
Accumulated losses		<u>(76,148,816)</u>	<u>(69,091,138)</u>
		<u>(76,148,814)</u>	<u>(69,091,136)</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 2019

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31.3.2017	2	(64,777,026)	(64,777,024)
Total comprehensive loss for the year	---	(4,314,112)	(4,314,112)
Balance at 31.3.2018 and 1.4.2018	2	(69,091,138)	(69,091,136)
Total comprehensive loss for the year	---	(7,057,678)	(7,057,678)
Balance at 31.3.2019	2	(76,148,816)	(76,148,814)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	<u>HK\$</u>	<u>HK\$</u>
OPERATING ACTIVITIES		
Loss before taxation	(7,057,678)	(4,314,112)
Adjustments for:		
Depreciation	108,664	87,320
Loss on disposal of property, plant and equipment	1,400	---
Written off of lost asset	5,998	---
Provision for long service payment	19,232	3,763
Provision for inventories	41,540	236,917
Interest income	(1,534)	(49)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	<u>(6,882,378)</u>	<u>(3,986,161)</u>
(Increase)/decrease in inventories	(309,115)	128,396
Decrease/(increase) in accounts receivables	1,178,848	(1,147,637)
Decrease/(increase) in rental, utilities and other deposits	60,740	(18,840)
Increase in prepayments	(40,183)	(3,807)
(Decrease)/increase in accounts payables and accrued expenses	(620,634)	224,123
Increase in temporary receipts	1,158,054	328,163
NET CASH USED IN OPERATING ACTIVITIES	<u>(5,454,668)</u>	<u>(4,475,763)</u>
INVESTING ACTIVITIES		
Payment for the purchase of property, plant and equipment	(216,618)	(23,400)
Bank interest received	1,534	49
NET CASH USED IN INVESTING ACTIVITIES	<u>(215,084)</u>	<u>(23,351)</u>
FINANCING ACTIVITY		
Net advance from the holding entity	6,609,796	4,040,283
NET CASH GENERATED FROM FINANCING ACTIVITY	<u>6,609,796</u>	<u>4,040,283</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	940,044	(458,831)
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>1,227,012</u>	<u>1,685,843</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>2,167,056</u></u>	<u><u>1,227,012</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
	2019	2018
	<u>HK\$</u>	<u>HK\$</u>
Cash and bank balances	<u><u>2,167,056</u></u>	<u><u>1,227,012</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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 results in change of its accounting policies following adoption of HKFRS 9 and HKFRS 15. In accordance with the transition provisions, no restatement of comparative information in prior period is made. Most of other amendments did not have 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) *Statement of compliance and 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 2019 (CONT'D)

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

(b) *Statement of compliance and 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 2019 (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 non-financial 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

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

(g) *Impairment of non-financial assets* (Cont'd)

- *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) *Credit losses and impairment of financial assets*

(i) *Policy applicable from 1 January 2018*

The company recognises a loss allowance for expected credit losses ("ECLs") on the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables) and contract assets as defined in HKFRS 15.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the company expects to receive).

In measuring ECLs, the company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECLs).

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The company also considers a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

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

(h) *Credit losses and impairment of financial assets* (Cont'd)

(i) *Policy applicable from 1 January 2018* (Cont'd)

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.

(i) *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.

(j) *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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

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

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

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

- (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.

(k) *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.

(l) *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.

(m) *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

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

(n) *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.

(o) *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.

(p) *Revenue recognition*

Starting from 1 April 2018, revenue arising from provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The company has assessed that the new revenue standard did not have significant impact on how it recognises revenue from sales of gifts and souvenirs, membership fee and management fee income.

Prior to 1 April 2018, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

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

(p) Revenue recognition (Cont'd)

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\$809,697, net off with impairment provision of HK\$941,723 (2018: HK\$542,122, net off with impairment provision of HK\$900,183). Details are set out in note 11.

5. REVENUE

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Admission income	1,885,950	1,893,291
Management fee income	1	1
Membership fee income	34,800	20,300
Sales of gifts and souvenirs	<u>1,534,095</u>	<u>1,572,750</u>
	<u>3,454,846</u>	<u>3,486,342</u>

Revenue recognised during the year analysed by timing of transfer of goods or services is as follows:

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
In time	3,420,045	3,466,041
Over time	<u>34,801</u>	<u>20,301</u>
	<u>3,454,846</u>	<u>3,486,342</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

6. OTHER INCOME

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Café income	769,682	618,299
Donations received	243,666	522,352
Exchange gain	33,556	48,885
Exhibition sponsorship*	550,000	430,000
Fundraising income	1,077,760	1,872,900
Guided tour	4,500	6,500
Interest income	1,534	49
Public programs	346,422	487,676
Raffle tickets#	---	87,200
Research and services	19,160	18,333
Sundry income	53,189	86,909
Venue hire	4,546,323	3,707,620
	<u>7,645,792</u>	<u>7,886,723</u>

* During the year ended 31 March 2018, the exhibition sponsor of HK\$430,000 was received from Home Affairs Bureau for the exhibition of “The Silver Age - Origin, Production and Trade Export Silverwares in Hong Kong and the Pearl River Delta Region”. As a condition of the sponsorship, the company is required to plow back the admission income of HK\$439,659 acquired for education programmes. The company has already plowed back HK\$54,124 and HK\$385,535 during the year 2018 and 2019 respectively.

During the year ended 31 March 2019, the exhibition sponsor of HK\$550,000 was received from The Swire Group Charitable Trust for the exhibition of “East meets West”. Included in public program expenses, expenses of HK\$1,030,834 was incurred for the exhibition during the year, of which HK\$480,834 is covered by the Company.

The receipts from raffle tickets under lottery licence no. 4586 in the financial year 2017 and 2018 were HK\$6,200 and HK\$87,200 respectively. After deducting the total expenses of the lottery of HK\$14,887, the net proceeds are used for underwater heritage in the amount of HK\$72,570 and approximately HK\$6,000 during the financial year 2018 and 2019 respectively.

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Provision for inventories	41,540	236,917
Rent paid under operating lease	183,200	252,000
Staff costs		
- Salaries, wages and other benefits	11,251,429	10,539,182
- Provision for long service payment	19,232	3,763
- Retirement benefit costs	371,709	365,448
	<u>11,665,700</u>	<u>11,397,310</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (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 (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: 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 (2018: 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 1.4.2017	272,540	636,509	424,637	1,333,686
Additions	---	21,800	1,600	23,400
Disposals	---	(1,480)	---	(1,480)
As at 31.3.2018 and 1.4.2018	272,540	656,829	426,237	1,355,606
Additions	---	94,539	122,079	216,618
Disposals	---	(8,821)	(5,998)	(14,819)
As at 31.3.2019	272,540	742,547	542,318	1,557,405
<u>Accumulated depreciation</u>				
As at 1.4.2017	272,540	473,588	399,262	1,145,390
Charge for the year	---	67,468	19,852	87,320
Disposals	---	(1,480)	---	(1,480)
As at 31.3.2018 and 1.4.2018	272,540	539,576	419,114	1,231,230
Charge for the year	---	68,345	40,319	108,664
Disposals	---	(7,421)	---	(7,421)
As at 31.3.2019	272,540	600,500	459,433	1,332,473
<u>Net book value</u>				
As at 31.3.2019	---	142,047	82,885	224,932
As at 31.3.2018	---	117,253	7,123	124,376

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

11. INVENTORIES

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Merchandise	1,751,420	1,442,305
Less: Provision for inventories	<u>(941,723)</u>	<u>(900,183)</u>
	<u>809,697</u>	<u>542,122</u>

12. TRADE AND OTHER RECEIVABLES

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Accounts receivables	97,488	1,276,336
Rental, utilities and other deposits	211,900	272,640
Prepayments	<u>324,422</u>	<u>284,239</u>
	<u>633,810</u>	<u>1,833,215</u>

All trade and other receivables are denominated in Hong Kong dollars. Accounts receivables are expected to be recovered within one year.

13. TRADE AND OTHER PAYABLES

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Accounts payables and accrued expenses	1,011,132	1,631,766
Temporary receipts	<u>1,725,277</u>	<u>567,223</u>
	<u>2,736,409</u>	<u>2,198,989</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

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Balance brought forward	66,772	63,009
Provision for the year	<u>19,232</u>	<u>3,763</u>
Balance carried forward	<u>86,004</u>	<u>66,772</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 2019 (CONT'D)

16. SHARE CAPITAL

	2019 <u>HK\$</u>	2018 <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>	2019 <u>HK\$</u>	2018 <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 (refer note 15)	<u>77,161,896</u>	<u>70,552,100</u>

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

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Financial assets measured at amortised cost	2,476,444	---
Loans and receivables (including cash and cash equivalents)	<u>---</u>	<u>2,775,988</u>
	<u>2,476,444</u>	<u>2,775,988</u>
Financial liabilities at amortised cost	<u>78,303,532</u>	<u>72,350,638</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset is summarised in note 19.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 March 2019.

The company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for other financial assets. To measure the expected credit losses, debtors have been grouped based on shared credit risk characteristics. The company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 March 2019, trade and other debtors that are individually significant have been separately assessed for impairment. The company makes periodic assessments on the recoverability of the receivables based on the background and reputation of the debtor, historical settlement records and past experience.

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

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Not past due	97,488	1,250,786
Past due, aged 0 - 30 days	---	---
Past due, aged 31 - 90 days	---	---
Past due, aged over 90 days	---	25,550
	<u>97,488</u>	<u>1,276,336</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

20. FINANCIAL RISK MANAGEMENT (Cont'd)

(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:

	2019			2018		
	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	1,055,632	---	1,055,632	1,731,766	---	1,731,766
Provision for long service payment	86,004	---	86,004	66,772	---	66,772
Amount due to the holding entity	---	77,161,896	77,161,896	---	70,552,100	70,552,100
	<u>1,141,636</u>	<u>77,161,896</u>	<u>78,303,532</u>	<u>1,798,538</u>	<u>70,552,100</u>	<u>72,350,638</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.

(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 2019 and 2018.

21. OPERATING LEASE COMMITMENT

At 31 March 2019, the future minimum lease payments under non-cancellable operating leases are as follows:

	2019 <u>HK\$</u>	2018 <u>HK\$</u>
Operating leases which expire:		
- within one year	180,000	183,200
- In the second to fifth years inclusive	188,000	368,000
	<u>368,000</u>	<u>551,200</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D)

22. HOLDING ENTITY

As at 31 March 2019, 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 **27 AUG 2019**