

HONG KONG MARITIME MUSEUM LIMITED

(Trading in name of HONG KONG MARITIME MUSEUM)

AUDITED FINANCIAL STATEMENTS

31 MARCH 2021

鄒曾會計師事務所有限公司

C & T ASSOCIATES CPA LIMITED

Certified Public Accountants

香港中環昭隆街二十五號昭隆大廈十樓

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DIRECTORS' REPORT

The directors herewith submit their annual report and the audited financial statements for the year ended 31 March 2021.

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 2021 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:

BUTTERY Christopher Richard	
CHAN Yiu Kei	
CHEN Yee, Andrew	
FUNG Kam Wing	
HEXT Richard Maurice	
KOO Chee Chow David	
KOO Chee Kong, Kenneth	
NG Wai Lun	
TUNG Lieh Sing Alan	
WAUNG Sik Ying, William	
ZINKE Jon William	
HARDY Mark Channell	(appointed on 27 November 2020)
SWIRE Laura Caroline	(appointed on 27 November 2020)
ZIEGLER Justin Ryan Boyd	(appointed on 6 March 2021)
CHIN Kong, James	(resigned on 1 July 2020)
SHIU Ian Sai Cheung	(resigned on 4 August 2020)
TAM Kwong Lim	(resigned on 9 July 2020)

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provisions (as defined in section 469 of the Companies Ordinance) for the benefit of one or more directors of the company is currently in force and was in force through out this year.

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

No 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.

DIRECTORS' REPORT (CONT'D)

MANAGEMENT CONTRACTS

Except as disclosed in note 22 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.

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



HEXT Richard Maurice
Director

Date: - 7 SEP 2021

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 26, which comprise the statement of financial position as at 31 March 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- 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

- 7 SEP 2021

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021 <u>HK\$</u>	2020 <u>HK\$</u>
REVENUE	5	999,599	1,977,087
Other income	6	3,177,125	4,194,483
Government subvention - operation grant		6,000,000	6,000,000
Government subvention - anti-epidemic fund		1,909,244	2,000,000
Government subvention - maintenance grant		539,000	427,500
Maintenance expenses - financed by government subvention		(539,000)	(427,500)
Cost of goods sold		(330,101)	(548,486)
Amortisation		(32,306)	(133,080)
Depreciation		(222,150)	(111,927)
Staff costs		(10,874,219)	(11,273,065)
Designated programme funds	7	1,115,348	535,348
Designated programme expenses	8	(1,115,348)	(535,348)
Operating expenses		(5,701,092)	(7,103,769)
Finance costs	9	(3,223)	(11,391)
LOSS BEFORE TAXATION	10	(5,077,123)	(5,010,148)
Income tax	12	---	---
LOSS FOR THE YEAR		(5,077,123)	(5,010,148)
Other comprehensive income		---	---
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(5,077,123)</u>	<u>(5,010,148)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	<i>Note</i>	2021 <u>HK\$</u>	2020 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	13	<u>536,791</u>	<u>367,999</u>
CURRENT ASSETS			
Inventories	14	149,351	462,132
Trade and other receivables	15	923,814	667,894
Cash and cash equivalents		<u>7,624,354</u>	<u>6,400,881</u>
		<u>8,697,519</u>	<u>7,530,907</u>
CURRENT LIABILITIES			
Trade and other payables	16	7,633,105	5,051,614
Provision for long service payment	17	62,414	91,587
Lease liabilities	18	1,992	108,304
		<u>7,697,511</u>	<u>5,251,505</u>
NET CURRENT ASSETS		<u>1,000,008</u>	<u>2,279,402</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,536,799</u>	<u>2,647,401</u>
NON-CURRENT LIABILITIES			
Amount due to the holding entity	19	(87,772,884)	(83,798,396)
Lease liabilities	18	---	(7,967)
NET LIABILITIES		<u>(86,236,085)</u>	<u>(81,158,962)</u>
CAPITAL AND RESERVES			
Share capital	20	2	2
Accumulated losses		<u>(86,236,087)</u>	<u>(81,158,964)</u>
		<u>(86,236,085)</u>	<u>(81,158,962)</u>

HEXT Richard Maurice
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 2021

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1.4.2019	2	(76,148,816)	(76,148,814)
Total comprehensive loss for the year	---	(5,010,148)	(5,010,148)
Balance at 31.3.2020 and 1.4.2020	2	(81,158,964)	(81,158,962)
Total comprehensive loss for the year	---	(5,077,123)	(5,077,123)
Balance at 31.3.2021	2	(86,236,087)	(86,236,085)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021	2020
		<u>HK\$</u>	<u>HK\$</u>
OPERATING ACTIVITIES			
Loss before taxation		(5,077,123)	(5,010,148)
Adjustments for:			
Amortisation		32,306	133,080
Depreciation		222,150	111,927
Loss on disposal of property, plant and equipment		1,035	---
Provision for long service payment		(29,173)	5,583
Provision for inventories		275,193	166,794
Interest on lease liabilities		3,223	11,391
Interest income		(108)	(896)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL			
		(4,572,497)	(4,582,269)
Decrease in inventories		37,588	180,771
Decrease in accounts receivables		33,367	52,031
Increase in rental, utilities and other deposits		(190,160)	---
Increase in prepayments		(99,127)	(86,115)
Increase/(decrease) in accounts payables and accrued expenses		629,618	(342,096)
Increase in temporary receipts		1,951,873	2,657,301
NET CASH USED IN OPERATING ACTIVITIES			
		(2,209,338)	(2,120,377)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment		(1,097,954)	(148,194)
Grants related to property, plant and equipment		601,169	---
Bank interest received		108	896
NET CASH USED IN INVESTING ACTIVITIES			
		(496,677)	(147,298)
FINANCING ACTIVITIES			
Net advance from the holding entity		3,974,488	6,636,500
Capital element of lease rental paid	21	(41,777)	(123,609)
Interest element of lease rental paid	21	(3,223)	(11,391)
NET CASH GENERATED FROM FINANCING ACTIVITY			
		3,929,488	6,501,500
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		1,223,473	4,233,825
CASH AND CASH EQUIVALENTS AT 1 APRIL			
		6,400,881	2,167,056
CASH AND CASH EQUIVALENTS AT 31 MARCH			
		7,624,354	6,400,881

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Bank balances	7,609,405	6,389,512
Cash in hand	14,949	11,369
	<u>7,624,354</u>	<u>6,400,881</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 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 2021 (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.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the company. The adoption of these new standards did not have any significant effect on the accounting policies, financial performance and financial position of the company.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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%
Right-of-use assets	48%
Website	30%

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

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

(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.

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

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

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

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

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 2021 (CONT'D)

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

(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.
 - (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).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the company's parent.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

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

(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.

(n) *Operating lease*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

At the lease commencement date, the company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the company enters into a lease in respect of a low-value asset, it decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

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

(n) *Operating lease* (Cont'd)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated amortisation and impairment losses [see notes 3(c) and 3(g)].

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(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*

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.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

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\$149,351, net off with impairment losses of HK\$326,272 (2020: HK\$462,132, net off with impairment losses of HK\$1,108,517). Details are set out in note 14.

5. REVENUE

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
Admission income	319,604	964,356
Management fee income	1	1
Membership fee income	19,300	28,900
Sales of gifts and souvenirs	<u>660,694</u>	<u>983,830</u>
	<u>999,599</u>	<u>1,977,087</u>

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

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
In time	980,298	1,948,186
Over time	<u>19,301</u>	<u>28,901</u>
	<u>999,599</u>	<u>1,977,087</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

6. OTHER INCOME

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
Café income	18,531	636,211
Donation received	1,043,161	137,427
Exchange gain	---	21,247
Exhibition sponsorship	---	1,000,000 *
Fundraising income	852,720	190,360
Guided tour	1,000	500
Interest income	108	896
Public programmes	137,579	171,870
Research and services	107,623	13,833
Sundry income	54,083	38,375
Venue hire	962,320	1,983,764
	<u>3,177,125</u>	<u>4,194,483</u>

* The exhibition sponsor for the year ended 31 March 2020 included HK\$500,000 received from Home Affairs Bureau for the exhibition of "The World on Paper: From Square to Sphericity". As a condition of the sponsorship, the company is required to plow back the admission income of HK\$122,317 acquired for education programmes. The company has already plowed back HK\$43,340 in the year ended 31 March 2020 and the remaining balance of HK\$78,977 was plowed in the year ended 31 March 2021.

7. DESIGNATED PROGRAMME FUNDS

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
AEF Job Creation	318,290	---
Art Day Camp	---	95,916
Marine Science Education Program	564,710	---
MATF education pack	48,348	146,950
MATF Hong Kong Maritime Week	---	230,523
School travel grant	---	61,959
Swire Marine Discovery Centre	184,000	---
	<u>1,115,348</u>	<u>535,348</u>

8. DESIGNATED PROGRAMME EXPENSES

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
AEF Job Creation	318,290	---
Art Day Camp	---	95,916
Marine Science Education Program	564,710	---
MATF education pack	48,348	146,950
MATF Hong Kong Maritime Week	---	230,523
School travel grant	---	61,959
Swire Marine Discovery Centre	184,000	---
	<u>1,115,348</u>	<u>535,348</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

9. FINANCE COSTS

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Interest on lease liabilities	<u>3,223</u>	<u>11,391</u>

10. LOSS BEFORE TAXATION

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

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Amortisation of right-of-use assets	32,306	133,080
Depreciation	222,150	111,927
Provision for inventories	275,193	166,794
Employees benefit expenses		
(a) Classified as staff costs		
- Salaries, wages and other benefits	10,577,393	10,894,540
- Provision for long service payment	(29,173)	5,583
- Retirement benefit costs	325,999	372,942
(b) Included in designated programme expenses		
- Salaries, wages and other benefits	581,368	---
- Retirement benefit costs	22,764	---

11. 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 (2020: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: 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 (2020: None).

12. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$</i>	Furniture & equipment <i>HK\$</i>	Computer equipment <i>HK\$</i>	Website <i>HK\$</i>	Other properties leased for own use carried at cost (note b) <i>HK\$</i>	Total <i>HK\$</i>
Cost						
As at 1.4.2019	272,540	742,547	542,318	---	349,118	1,906,523
Remeasurement on changes in terms of lease	---	---	---	---	(109,238)	(109,238)
Additions	---	44,078	104,116	---	---	148,194
Disposals	---	(3,500)	(4,030)	---	---	(7,530)
As at 31.3.2020 and 1.4.2020	272,540	783,125	642,404	---	239,880	1,937,949
Additions	---	886,755	131,199	80,000	---	1,097,954
Grants received (note a)	---	(550,000)	(51,169)	---	---	(601,169)
Disposals	---	(3,133)	(7,877)	---	---	(11,010)
Remeasurement on changes in terms of lease	---	---	---	---	(29,848)	(29,848)
As at 31.3.2021	272,540	1,116,747	714,557	80,000	210,032	2,393,876
Accumulated depreciation and amortisation						
As at 1.4.2019	272,540	600,500	459,433	---	---	1,332,473
Charge for the year	---	44,399	67,528	---	133,080	245,007
Disposals	---	(3,500)	(4,030)	---	---	(7,530)
As at 31.3.2020 and 1.4.2020	272,540	641,399	522,931	---	133,080	1,569,950
Charge for the year	---	108,699	89,451	24,000	32,306	254,456
Remeasurement on changes in terms of lease	---	---	---	---	42,654	42,654
Disposals	---	(3,133)	(6,842)	---	---	(9,975)
As at 31.3.2021	272,540	746,965	605,540	24,000	208,040	1,857,085
Net book value						
As at 31.3.2021	---	369,782	109,017	56,000	1,992	536,791
As at 31.3.2020	---	141,726	119,473	---	106,800	367,999

Notes:

- (a) Maintenance grant received from the Home Affairs Bureau ("HAB") of HK\$275,000 and HK\$275,000 for the years ended 31 March 2020 and 2021 respectively for the air-conditioning unit of HK\$550,000 installed during the current year. In addition, under the AEF Job Creation programme, the company received grants from the HAB and purchased computer equipment of HK\$51,169 during the year.
- (b) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Other properties leased for own use, carried at depreciated cost	<u>1,992</u>	<u>106,800</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The analysis of expense items in relation leases recognised in profit or loss is as follows:

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Amortisation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	<u>32,306</u>	<u>133,080</u>
Interest on lease liabilities (<i>note 9</i>)	3,223	11,391
Payments for lease of low-value assets in relation to office equipment (rental of copier)	6,000	5,000

During the year, a remeasurement to right-to-use assets is made as there is changes in terms of lease for current and subsequent financial years, which resulted in adjustments to cost of HK\$29,848 and to amortisation of HK\$42,654 for the year ended 31 March 2021.

Details of total cash outflow for leases and the maturity of lease liabilities are set out in notes 21 and 18 respectively.

The Company has obtained the right to use office premise through operating lease. The lease runs for an initial period of 3 years. Lease payments are usually fixed for the whole rental period at inception except for any recession allowed at discretion of landlord.

14. INVENTORIES

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Merchandise	475,623	1,570,649
Less: Provision for inventories	<u>(326,272)</u>	<u>(1,108,517)</u>
	<u>149,351</u>	<u>462,132</u>

During the year, the cost of obsolete merchandise was written off against provision amounted to HK\$1,057,438.

15. TRADE AND OTHER RECEIVABLES

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Accounts receivables	12,090	45,457
Rental, utilities and other deposits	402,060	211,900
Prepayments	<u>509,664</u>	<u>410,537</u>
	<u>923,814</u>	<u>667,894</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

16. TRADE AND OTHER PAYABLES

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Accounts payables and accrued expenses	1,298,654	669,036
Temporary receipts		
- designated projects and programs	5,438,834	1,747,527
- others	895,617	2,635,051
	<u>7,633,105</u>	<u>5,051,614</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.

17. PROVISION FOR LONG SERVICE PAYMENT

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Balance brought forward	91,587	86,004
(Write back of provision)/provision for the year	<u>(29,173)</u>	<u>5,583</u>
Balance carried forward	<u>62,414</u>	<u>91,587</u>

18. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the company's lease liabilities at the end of the years:

	31.3.2021		31.3.2020	
	Present value of the minimum lease payments <u>HK\$</u>	Total minimum lease payments <u>HK\$</u>	Present value of the minimum lease payments <u>HK\$</u>	Total minimum lease payments <u>HK\$</u>
Not later than one year	1,992	2,000	108,304	112,500
Later than one year but not later than five years	---	---	7,967	8,000
	<u>1,992</u>	<u>2,000</u>	<u>116,271</u>	<u>120,500</u>
Less: Total future interest expense		<u>(8)</u>		<u>(4,229)</u>
Present value of lease liabilities		<u>1,992</u>		<u>116,271</u>

19. 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 2021 (CONT'D)

20. SHARE CAPITAL

	2021	2020
	<u>HK\$</u>	<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.

21. OTHER CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities, including both cash and non-cash changes:

	Lease liabilities
	<u>HK\$</u>
At 1 April 2020	116,271
Changes from financing cash flows:	
Capital element of lease rental paid	(41,777)
Interest element of lease rental paid	(3,223)
Total changes from financing cash flows	(45,000)
Other changes:	
Remeasurement on changes in terms of lease	(72,502)
Interest on lease liabilities	3,223
Total other changes	(69,279)
At 31 March 2021	1,992
At 31 March 2019	---
Impact on initial application of HKFRS 16	349,118
At 1 April 2019	349,118
Changes from financing cash flows:	
Capital element of lease rental paid	(123,609)
Interest element of lease rental paid	(11,391)
Total changes from financing cash flows	(135,000)
Other changes:	
Remeasurement on changes in terms of lease	(109,238)
Interest on lease liabilities	11,391
Total other changes	(97,847)
At 31 March 2020	116,271

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

22. 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>	<u>2021</u> <u>HK\$</u>	<u>2020</u> <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 19)	<u>87,772,884</u>	<u>83,798,396</u>

23. 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.

24. CATEGORIES OF FINANCIAL INSTRUMENTS

	<u>2021</u> <u>HK\$</u>	<u>2020</u> <u>HK\$</u>
Financial assets measured at amortised cost	<u>8,023,555</u>	<u>6,646,869</u>
Financial liabilities at amortised cost	<u>89,298,530</u>	<u>84,790,503</u>

25. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and foreign currency 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 24.

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 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021 (CONT'D)

25. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Credit risk (Cont'd)

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 2021, 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:

	2021 <u>HK\$</u>	2020 <u>HK\$</u>
Not past due	3,910	44,646
Past due, aged 0 - 30 days	---	---
Past due, aged 31 - 90 days	8,180	---
Past due, aged over 90 days	---	811
	<u>12,090</u>	<u>45,457</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 measured at amortised cost, which are based on contractual undiscounted cash flows and the earliest date the company can be required to pay:

	2021			2020		
	Within one year or on demand <u>HK\$</u>	Over one year <u>HK\$</u>	Total <u>HK\$</u>	Within one year or on demand <u>HK\$</u>	Over one year <u>HK\$</u>	Total <u>HK\$</u>
Trade and other payables	7,633,105	---	7,633,105	5,051,614	---	5,051,614
Amount due to the holding entity	---	87,772,884	87,772,884	---	83,798,396	83,798,396
Lease liabilities	2,000	---	2,000	112,500	8,000	120,500
	<u>7,635,105</u>	<u>87,772,884</u>	<u>95,407,989</u>	<u>5,164,114</u>	<u>83,806,396</u>	<u>88,970,510</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 2021 (CONT'D)

25. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Fair values of financial instruments

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

26. OPERATING LEASE COMMITMENT

At 31 March 2021 and 2020, the future minimum lease payments under non-cancellable operating leases in relation to office equipment and office premises respectively, are as follows:

	2021	2020
	<u>HK\$</u>	<u>HK\$</u>
Operating leases which expire:		
- within one year	6,000	6,000
- In the second to fifth years inclusive	13,000	19,000
	<u>19,000</u>	<u>25,000</u>

The operating lease of office equipment represents lease of low-value asset, and exempted from applying of HKFRS 16 as at 31 March 2021.

27. HOLDING ENTITY

As at 31 March 2021, the directors consider that the company is the wholly owned subsidiary of Hong Kong Maritime Museum Trust.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on **- 7 SEP 2021**