

HONG KONG MARITIME MUSEUM LIMITED

(Trading in name of HONG KONG MARITIME MUSEUM)

AUDITED FINANCIAL STATEMENTS

31 MARCH 2011



鄒景福會計師事務所
PHILIP CHOW & COMPANY
Certified Public Accountants

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DIRECTORS' REPORT

The directors herewith submit their annual report and the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the company for the year ended 31 March 2011 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.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment are shown in note 9 to the financial statements.

SHARE CAPITAL

Details of share capital of the company are set out in note 17 to the financial statements.

DIRECTORS

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

Anthony John Hardy
Chan Yiu Kei
Chen Yee, Andrew
Liang Ming Shing
Waung Sik Ying, William
Chin Kong, James
Koo Chee Kong, Kenneth
Shek Yuk Yu (appointed on 1 January 2011)

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

DIRECTORS' INTERESTS

Except as disclosed in note 19 to the financial statements, no contracts of significance to which the company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE OF SHARES OR DEBENTURES

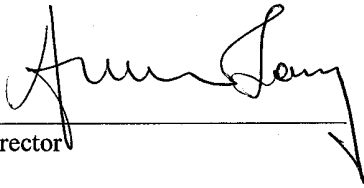
At no time during the year was the company a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of the company or any other body corporate.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The financial statements have been audited by Messrs. Philip Chow & Company, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

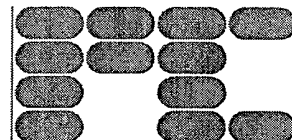
By order of the Board



Director

Date: 24 AUG 2011

INDEPENDENT AUDITOR'S REPORT



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

We have audited the financial statements of Hong Kong Maritime Museum Limited (the "company") set out on pages 5 to 23, which comprise the balance sheet as at 31 March 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2011 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT (CONT'D)



MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the inherent uncertainty as to the continuation of the financial support by the holding entity. The financial statements have been prepared on a going concern basis, the validity of which depends upon future financial support being available. The financial statements do not include any adjustments that would result from a failure to obtain such financial support. Details of the circumstances relating to this materiality uncertainty are described in note 3(a). We consider that appropriate estimates and disclosures have been made and our opinion is not qualified in this respect.

PHILIP CHOW & COMPANY
Certified Public Accountants
Hong Kong

24 AUG 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

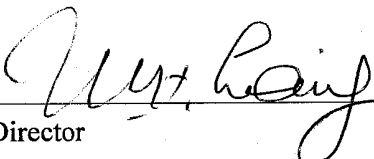
	<i>Note</i>	2011 <u>HKS</u>	2010 <u>HKS</u>
TURNOVER	4	956,910	869,648
Other revenue	5	133,071	23,977
Government subvention		9,176,200	---
Cost of sales		(119,061)	(91,533)
Depreciation		(31,456)	(39,163)
Staff costs		(3,079,102)	(2,778,786)
Relocation and expansion – Consultancy studies grant from the Government of the HKSAR		(9,176,200)	---
Operating expenses		<u>(2,467,565)</u>	<u>(2,373,156)</u>
LOSS BEFORE TAXATION	6	(4,607,203)	(4,389,013)
Income tax	8	<u>3,056</u>	<u>2,216</u>
LOSS FOR THE YEAR		(4,604,147)	(4,386,797)
Other comprehensive income		<u>---</u>	<u>---</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(4,604,147)</u>	<u>(4,386,797)</u>

The accompanying notes form part of these financial statements

BALANCE SHEET

AS AT 31 MARCH 2011

	<i>Note</i>	2011 <u>HK\$</u>	2010 <u>HK\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	45,116	68,585
Intangible asset	10	185,833	185,833
		<u>230,949</u>	<u>254,418</u>
CURRENT ASSETS			
Inventories	11	361,379	381,305
Trade and other receivables	12	171,954	172,600
Cash and cash equivalents		682,728	669,346
		<u>1,216,061</u>	<u>1,223,251</u>
CURRENT LIABILITIES			
Other payables	13	109,829	98,863
Provision for long service payment	14	7,975	86,812
		<u>117,804</u>	<u>185,675</u>
NET CURRENT ASSETS		<u>1,098,257</u>	<u>1,037,576</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,329,206</u>	<u>1,291,994</u>
NON-CURRENT LIABILITIES			
Deferred taxation	15	(1,778)	(4,834)
Amount due to the holding entity	16	(25,565,816)	(20,921,401)
NET LIABILITIES		<u>(24,238,388)</u>	<u>(19,634,241)</u>
CAPITAL AND RESERVES			
Share capital	17	2	2
Accumulated losses		(24,418,390)	(19,814,243)
Capital subvention	18	180,000	180,000
		<u>(24,238,388)</u>	<u>(19,634,241)</u>


Director


Director

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Capital subvention <i>HK\$</i>	Total <i>HK\$</i>
Balance at 31.3.2009	2	(15,427,446)	180,000	(15,247,444)
Total comprehensive income for the year	---	(4,386,797)	---	(4,386,797)
Balance at 31.3.2010	2	(19,814,243)	180,000	(19,634,241)
Total comprehensive income for the year	---	(4,604,147)	---	(4,604,147)
Balance at 31.3.2011	2	(24,418,390)	180,000	(24,238,388)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	<u><i>HK\$</i></u>	<u><i>HK\$</i></u>
OPERATING ACTIVITIES		
Loss before taxation	(4,607,203)	(4,389,013)
Adjustments for:		
Depreciation	31,456	39,163
Loss on disposal of property, plant and equipment	1,620	---
Interest income	(98)	(54)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	<u>(4,574,225)</u>	<u>(4,349,904)</u>
Decrease in inventories	19,926	15,588
Increase in accounts receivable	(14,851)	(2,292)
Increase in rental, utility and sundry deposits	---	(4,602)
Decrease/(increase) in prepayments	15,497	(19,024)
Increase/(decrease) in accrued expenses	10,066	(14,127)
Increase in temporary receipt	900	3,400
(Decrease)/increase in provision for long service payment	(78,837)	86,812
Increase in amount due to the holding entity	4,644,415	4,516,005
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>22,891</u>	<u>231,856</u>
INVESTING ACTIVITIES		
Payment for the purchase of property, plant and equipment	(9,607)	(27,935)
Bank interest received	98	54
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,509)</u>	<u>(27,881)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,382	203,975
CASH AND CASH EQUIVALENTS AT 1 APRIL	<u>669,346</u>	<u>465,371</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>682,728</u>	<u>669,346</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
	2011	2010
	<u><i>HK\$</i></u>	<u><i>HK\$</i></u>
Cash and bank balances	<u>682,728</u>	<u>669,346</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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 Ground Floor, Murray House, Stanley Plaza, Stanley, Hong Kong.

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

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

The company has adopted all the new or revised standards, amendments and interpretations (herein collectively referred to as HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) that are effective for the current accounting period. The adoption of these new standards has not had any significant effect on the accounting policies or result and financial position of the company. Accordingly, no prior year adjustment is required.

The HKICPA has issued a number of new or revised HKFRSs but 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. PRINCIPAL ACCOUNTING POLICIES

(a) *Going concern*

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

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

(b) *Basis of preparation*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

The measurement basis used in the preparation of the financial statements is historical cost convention, except for certain financial instruments which are measured at fair values.

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 that have no significant effect on the financial statements and estimate 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%

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) *Intangible assets*

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) *Intangible assets* (Cont'd)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets.

(e) *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.

(f) *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.

(g) *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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) *Impairment of assets*

(i) *Impairment of other receivables*

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

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

(ii) *Impairment of other assets*

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

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 net selling price 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 to sell, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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

- *Reversals of impairment losses* (Cont'd)

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.

(i) *Other payables*

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 purposes of these financial statements, a party is considered to be related to the company if:

- the party has the ability, directly or indirectly through one or more intermediaries, to control the company or exercise significant influence over the company in making financial and operating policy decisions, or has joint control over the company;
- the company and the party are subject to common control;
- the party is an associate of the company or a joint venture in which the company is a venturer;
- the party is a member of key management personnel of the company or the company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- the party is a post-employment benefit plan which is for the benefit of employees of the company or of any entity that is a related party of the company.

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

(k) *Government grants*

Government subventions of a capital nature ("capital subventions") are credited to the capital subventions account and the corresponding amounts are capitalised as property, plant and equipment or intangible assets as set out in note 3(c) and note 3(d) respectively. This includes capital expenditure on furniture and equipment, computer equipment and software. Each year, an amount equal to the depreciation or amortisation charge for these assets and net book value of assets disposed is transferred from the capital subventions account and credited to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) *Government grants* (Cont'd)

Government grants relating to costs are recognised in the statement of comprehensive income over the period necessary to match them with costs that they are intended to compensate.

(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) *Operating lease*

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

(n) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in statement of comprehensive income except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(n) *Income tax* (Cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company has the legally enforcement right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- (i) in the case of current tax assets and liabilities, the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- (ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) Revenue recognition

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

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

4. TURNOVER

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Admission income	541,826	505,794
Management fee income	1	1
Sales	<u>415,083</u>	<u>363,853</u>
	<u>956,910</u>	<u>869,648</u>

5. OTHER REVENUE

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Exhibition income	22,500	---
Interest income	98	54
Reversal of provision for long service payment	78,837	---
Sundry income	<u>31,636</u>	<u>23,923</u>
	<u>133,071</u>	<u>23,977</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:-

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Auditors' remuneration	20,500	20,500
Rent	<u>241,436</u>	<u>223,530</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:-

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Fees	<u>Nil</u>	<u>Nil</u>
Other emoluments	<u>Nil</u>	<u>Nil</u>

8. INCOME TAX IN THE STATEMENT OF COMPREHENSIVE INCOME

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Deferred tax:		
Current year (<i>note 15</i>)	<u>(3,056)</u>	<u>(2,216)</u>

No provision for profits tax has been made in the financial statements as the company sustains a tax loss during the year (2010: Nil).

The result for the year can be reconciled to the loss per statement of comprehensive income as follows:-

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Loss before taxation	<u>(4,607,203)</u>	<u>(4,389,013)</u>
Tax at the domestic profits tax rate of 16.5% (2010: 16.5%)	(760,189)	(724,187)
Tax effect on income that are not chargeable to tax	(13,024)	(8)
Tax effect on expense that are not deductible to tax	---	14,324
Tax loss not recognised	<u>770,157</u>	<u>707,655</u>
Actual tax expense	<u>(3,056)</u>	<u>(2,216)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture & equipment <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
<u>Cost</u>			
As at 1.4.2009	97,294	193,461	290,755
Additions	23,355	4,580	27,935
Disposal	---	(14,890)	(14,890)
As at 31.3.2010 and 1.4.2010	<u>120,649</u>	<u>183,151</u>	<u>303,800</u>
Additions	2,787	6,820	9,607
Disposal	(8,349)	(3,760)	(12,109)
As at 31.3.2011	<u>115,087</u>	<u>186,211</u>	<u>301,298</u>
<u>Accumulated depreciation</u>			
As at 1.4.2009	49,245	161,697	210,942
Charge for the year	21,772	17,391	39,163
Written back	---	(14,890)	(14,890)
As at 31.3.2010 and 1.4.2010	<u>71,017</u>	<u>164,198</u>	<u>235,215</u>
Charge for the year	16,889	14,567	31,456
Written back	(7,645)	(2,844)	(10,489)
As at 31.3.2011	<u>80,261</u>	<u>175,921</u>	<u>256,182</u>
<u>Net book value</u>			
As at 31.3.2011	<u>34,826</u>	<u>10,290</u>	<u>45,116</u>
As at 31.3.2010	<u>49,632</u>	<u>18,953</u>	<u>68,585</u>

10. INTANGIBLE ASSET

	Development costs <i>HK\$</i>
<u>Cost</u>	
As at 1.4.2010 and 31.3.2011	<u>185,833</u>
<u>Accumulated amortisation</u>	
As at 1.4.2010	---
Charge for the year	---
As at 31.3.2011	<u>---</u>
<u>Net book value</u>	
As at 31.3.2011	<u>185,833</u>
As at 31.3.2010	<u>185,833</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

10. INTANGIBLE ASSET (Cont'd)

In the opinions of the directors, the expenditures on development software for the catalogue "The Hong Kong Maritime Museum Reference Chart and Pilotage Collection for China Sea Water: The Catalogue" are capitalised as the software is technically and commercially feasible and the company has sufficient resources and the intention to complete development. The expenditures capitalised are not amortised as their useful lives are assessed to be indefinite.

11. INVENTORIES

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Merchandise	<u>361,379</u>	<u>381,305</u>

12. TRADE AND OTHER RECEIVABLES

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Accounts receivable	19,756	4,905
Rental, utility and sundry deposits	75,793	75,793
Prepayments	<u>76,405</u>	<u>91,902</u>
	<u>171,954</u>	<u>172,600</u>

The accounts receivable and prepayments are expected to be recovered within one year.

13. OTHER PAYABLES

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Accrued expenses	98,629	88,563
Temporary receipt	<u>11,200</u>	<u>10,300</u>
	<u>109,829</u>	<u>98,863</u>

The other payables are expected to be settled within one year.

14. PROVISION FOR LONG SERVICE PAYMENT

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Balance brought forward	86,812	---
Add: Provision for the year	---	86,812
Less: Reversal of provision for the year	<u>(78,837)</u>	<u>---</u>
Balance carried forward	<u>7,975</u>	<u>86,812</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

15. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:-

	Accelerated tax depreciation <i>HK\$</i>
As at 1.4.2009	7,050
Credit to the statement of comprehensive income (<i>note 8</i>)	<u>(2,216)</u>
As at 31.3.2010 and 1.4.2010	4,834
Credit to the statement of comprehensive income (<i>note 8</i>)	<u>(3,056)</u>
As at 31.3.2011	<u>1,778</u>

A deferred tax assets of approximately HK\$3.7 million (2010: HK\$3 million) has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

16. AMOUNT DUE TO THE HOLDING ENTITY

The amount is unsecured, interest free and has no fixed terms of repayment.

17. SHARE CAPITAL

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Authorised:		
10,000 ordinary shares of HK\$1 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
2 ordinary shares of HK\$1 each	<u>2</u>	<u>2</u>

Fully paid ordinary shares, which have a par value of HK\$1 each, carry one vote per share and carry a right to dividends.

18. CAPITAL SUBVENTION

	<i>HK\$</i>
As at 31.3.2010 and 31.3.2011	<u>180,000</u>

The fund support from The Lord Wilson Heritage Trust (the "Trust") totaling HK\$360,000. The purpose of the Trust is to support initiatives from community organizations by granting financial assistance for carrying out heritage-related projects.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

18. CAPITAL SUBVENTION (Cont'd)

In previous years, the company received a grant of HK\$180,000 towards the software development cost for the catalogue "The Hong Kong Maritime Museum Reference Chart and Pilotage Collection for China Sea Water: The Catalogue".

19. 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:-

Name of related party	Relationship	Nature	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Hong Kong Maritime Museum Trust	Holding entity	Management fee income	<u>1</u>	<u>1</u>
		Amount due to the holding entity	<u>25,565,816</u>	<u>20,921,401</u>

The balance with the holding entity is unsecured, interest-free and has no fixed terms of repayment.

20. 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.

21. CATEGORIES OF FINANCIAL INSTRUMENTS

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>854,682</u>	<u>841,946</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>25,683,620</u>	<u>21,107,076</u>

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

22. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

(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:

	Carrying amount	2011 Total contractual undiscounted cash flow	Within one year or on demand	Carrying amount	2010 Total contractual undiscounted cash flow	Within one year or on demand
	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>	<u>HK\$</u>
Other payables	109,829	109,829	109,829	98,863	98,863	98,863
Provision for long service payment	7,975	7,975	7,975	86,812	86,812	86,812
Amount due to the holding entity	<u>25,565,816</u>	<u>25,565,816</u>	<u>25,565,816</u>	<u>20,921,401</u>	<u>20,921,401</u>	<u>20,921,401</u>
	<u>25,683,620</u>	<u>25,683,620</u>	<u>25,683,620</u>	<u>21,107,076</u>	<u>21,107,076</u>	<u>21,107,076</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 net assets 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011 (CONT'D)

22. FINANCIAL RISK MANAGEMENT (Cont'd)

(f) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2011 and 2010.

23. OPERATING LEASE COMMITMENT

At 31 March 2011, the future minimum lease payments under non-cancellable operating leases are as follows:-

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Operating leases which expire:		
- within one year	207,027	214,344
- In the second to fifth years inclusive	---	207,027
	<u>207,027</u>	<u>421,371</u>

24. CAPITAL COMMITMENT

Capital commitment outstanding at 31 March 2011 not provided for in the financial statements was as follow:-

	2011 <u>HK\$</u>	2010 <u>HK\$</u>
Contracted for but not provided for	<u>5,291,800</u>	<u>---</u>

25. HOLDING ENTITY

The directors consider that as at the balance sheet date, the company is wholly owned by Hong Kong Maritime Museum Trust.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 24 AUG 2011