

# **Report on the Ocean Park Corporation’s Activities and Administration of the Ocean Park Trust Fund in Financial Year 2020–2021**

## **PURPOSE**

This report provides a summary of activities of the Ocean Park Corporation (“OPC”) and administration of the Ocean Park Trust Fund (“the Trust Fund”) during the financial year<sup>1</sup> of 2020–2021 (“the financial year”) pursuant to sections 26(3) and 33(3) of the Ocean Park Corporation Ordinance (Cap 388).

## **ACTIVITIES OF OPC**

### **Overview**

2. In the financial year, the Government and OPC completed the rethink exercise and unveiled the future strategy for Ocean Park. In gist, under the future strategy, the Park would transform itself into a destination focusing on conservation and education, grounded in nature, and complemented by adventure and leisure elements to enhance visitor experiences.

3. The future strategy provides an opportunity for the Park to reinvigorate its operations and reimagine its offerings while furthering its vision of connecting people with nature. During the year, the Park experimented with new concepts, tapping into the infinite potentials of its unique setting as well as its expertise in conservation and education, and launched an array of unconventional initiatives and programmes. The immense public enthusiasm of these new attempts showed that the Park is on the right path. On the other hand, the COVID-19 pandemic continued to have massive impact on OPC’s business. Notwithstanding the challenges posed by the pandemic, OPC continued to deploy its staff team and in-house resources to conservation and education work, adding value to the community in trying times.

### **Financials**

4. During the financial year, OPC received from the Government a funding of HK\$1,454.9 million to support its operations and capital expenditure, complete the Water World development project, and settle the current liabilities and possible compensation brought forward from 30 June 2020. OPC is grateful to the Government for the funding support at this challenging period, enabling Ocean Park to continue serving the Hong Kong community.

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<sup>1</sup> “Financial year” in this paper refers to the financial year of OPC which starts on 1 July and ends on 30 June the next year.

5. Apart from the above, on 19 March 2021, the Finance Committee of the Legislative Council (“LegCo”) approved a non-recurrent funding of HK\$1,664 million to support the operations and implementation of the future strategy for the Park as well as amendments to the terms of Government loans for the Ocean Park Redevelopment Plans and the Tai Shue Wan Development Project. In addition, the Government would provide a time-limited subvention capped at HK\$280 million per year for four years from Government fiscal years<sup>2</sup> of 2022–2023 to 2025–2026 to support OPC’s spending on conservation and education. The Government’s funding support has further provided a solid basis for OPC to implement the rethink strategy.

6. For 40% of the financial year (146 days between 1 July 2020 and 17 February 2021)<sup>3</sup>, OPC suspended the Park’s operations in compliance with the Government’s direction in light of the outbreak of the COVID-19 pandemic. During the period, the source of revenues from visitors was cut off. Even when the Park could resume operation starting 18 February 2021, it was subject to capacity control and social distancing requirements governing theme parks, places of public entertainment and catering business. As a result, the Park’s attendance fell to 1.4 million visitors in the financial year, down 36% from 2.2 million visitors in 2019–2020. Revenue plunged 45% to HK\$393.6 million from HK\$717.1 million a year ago. A net operating deficit of HK\$1,111.6 million, before netting off with the Government’s funding support received in the financial year, was incurred.

7. To reduce the impact of COVID-19 as much as possible, OPC undertook emergency cost-saving initiatives, including strict control of operating and discretionary expenses, energy conservation, no pay leave, salary cuts, and hiring freeze. Programmes and events were carried out in a highly agile and flexible manner to allow for fast turn-around and optimal budget management. Other than cost management, OPC also took proactive steps to reposition the Park’s offerings to align with the new normal of enhanced health awareness and social distancing protocols.

8. The audited statement of accounts together with the auditor’s report on OPC’s financial transactions are provided at Enclosure 1.

Encl. 1

### **An Ocean of Extraordinary Experiences**

9. In the financial year, Ocean Park created not just new but extraordinary experiences that combined conservation and education with fun. Wellness and adventure themes, the two major pillars of the future strategy, ran through these new experiences. Besides, the Park broadened its visitor base to include health, sports and fitness enthusiasts, nature adventurers, pet lovers, plant and flower enthusiasts, and more. Some examples are –

- (a) Nature is the centrepiece of the Green Staycation programme which empowered visitors to re-discover the magnificent sea and landscapes surrounding the Park. Many appreciated the time to stretch, exercise and relax at the Park amidst stressful time during the pandemic.

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<sup>2</sup> Refers to the fiscal year of the Government which starts on every 1 April and ends on 31 March next year.

<sup>3</sup> From 1 July 2020 to 30 June 2021, Ocean Park was opened for only 217 days. It was closed for 146 days due to the pandemic.

- (i) **Yoga Vogue** presented yoga enthusiasts with 30 tantalising dynamic and static workshops at unusual venues, creating a strong link between nature and mindfulness. The highlight was SUP Yoga, where yogis practised downward dog and sun salutations amid the calming waters of the Aqua City Lagoon. The mesmerising effect of yogis floating on the water generated a massive wave of enthusiasm on social media. The Aquarium Immersive Meditation and Gong Bath organised at the Grand Aquarium and North Pole Encounter offered participants an unforgettable experience with thousands of fish swimming around or curious seals watching as they meditated.
  - (ii) **Brick Hill Secret Unveil** enabled visitors to enjoy a leisurely trek up Nam Long Shan guided by experienced nature specialists. In addition to the exceptional view of Island South underneath the cable cars, nature specialists introduced the unique geography and amazing wildlife en route. The trek ended with backstage access to the Hong Kong Marine Life Stranding and Education Centre that showed how veterinarians and marine scientists used data-driven insights to save marine lives from stranding, injuries and deaths.
  - (iii) **Starry Summit Glamping** offered visitors a different perspective of the Park’s environs as they relaxed in private tents stocked with all the necessities. They also had the opportunity to discover the nocturnal fauna that came alive in the dark around the Park.
- (b) During the financial year, OPC rolled out a series of new events targeting at specific visitor profiles, allowing each group to experience the Park in its unique way.
- (i) Adrenaline flowed through the Park during **GAME-ALL-NIGHT** which targeted those constantly searching for outdoorsy fun and challenges. Just like a binge-worthy reality competition, contestants screamed and laughed hard during the games, which challenged them to complete a series of missions with increasing difficulties.
  - (ii) Dog lovers and their canine friends explored the Park when they joined the **Woof & Wags Doggo Party**. The inaugural event, held in March 2021, saw different dog breeds mingle along with their proud owners. The party also delivered the important messages of animal welfare and pet care, with representatives of the Agriculture, Fisheries and Conservation Department (“AFCD”), Hong Kong Guide Dogs Association, and the Hong Kong Society of Herpetology Foundation as guest speakers.
  - (iii) Car enthusiasts got their day at the Park’s first-ever **CARNIVAL**. Held in partnership with the Classic Car Club of Hong Kong to promote automobile culture and heritage, an exciting line-up of 20 rare vintage cars parked at different corners of the Park for visitors to appreciate and learn about life in Hong Kong in various eras.
  - (iv) Plant and flower enthusiasts filled the Park during the butterfly-themed **Floraland** event. The Park collaborated with local floristry GINGERMITE

and used about 800 colourful potted plants from over 50 different plant groups to create five magnificent butterfly-shaped floral arrangements that blended into the natural environment of the Park, offering amazing photo opportunities.

- (v) Kids learned to become Spartan warriors at the **Ocean Park x Spartan Fun Academy** in May 2021. Spartan trainers guided kids through a series of fitness and obstacle training during weekends and on public holidays that challenged them both physically and mentally.
- (c) Three special programmes were introduced in the financial year to bring families and friends closer to nature and one another.
  - (i) With the meerkats' and Aldabra giant tortoises' massive popularity among visitors soon after their debut at the Park in 2020, two all-new interactive programmes, **Meet the Little Meerkat** and **Meet the Giant Tortoise**, were launched in April 2021 to offer visitors an exclusive opportunity to see and interact with these African animals up close under expert guidance.
  - (ii) The **Fish Friends Face-off** programme offered ocean lovers a breathtaking inside look at the shallow water area of the aquarium through their goggles as they snorkelled among more than a thousand coral fish. The programme shed insights on coral conservation and how to protect the ocean in everyday life.

## Education Work

10. Education has always played a pivotal role at Ocean Park. Despite the disruptions brought by the pandemic, efforts were made to transform the Park into Hong Kong's biggest and best nature playground. The Park tightly meshed experiential learning and technology to bring new experiences that spark curiosity, ingenuity and fun in knowing more about natural habitats, ecosystems and different species. It also extended its reach online, broadened collaboration with universities and secondary schools to support education programmes and scientific research, and drove the conservation of important local species, creating a wellspring of new enthusiasts who will lead Hong Kong's future conservation efforts.

11. In the year, more than 430,000 students joined OPC's educational initiatives and OPC staff conducted more than 1.4 million educational chats with visitors in the Park. A total of 158 programmes were organised for people of all ages. Some examples are –

- (a) The Park's new technology experience hub, **Explorer R**, called port at Whiskers Harbour in June 2021. On board the Explorer R vessel, children aged three to nine created their own AI SuperAnimal and explored a virtual nature wonderland by going through the "think, try and modify" process with Park mascot Redd. They were motivated to figure out how the body parts helped animals adapt to their habitats and survive in some of nature's most exotic environments.

- (b) Meanwhile, special Explorer R workshops — **Camouflage Kids!** and **Ninja in Nature** — guided children aged two to five years to learn how animals hide from predators through interactive games. Older kids aged six to 11 joined the **Sea Land Expedition Summer Adventure**, where they embarked on a fascinating journey exploring the animal world and completing various tasks with their friends.
- (c) A series of time-limited summer attractions were launched to extend the experience, including the **Upsized Planet** when they saw smaller plants and animals like butterflies, frogs, birds and more, supersized; the **Explorer Stops** which used nature playscapes to unveil the secrets of water, rocks and mud through interactive fun games; and the **Whiskers Harbour Maker Workshops** which guided children and their parents to create beautiful artwork together from discarded items and practise upcycling.

12. As an advocate of the harmonious relationship between human and nature, OPC leveraged the power of social media in the following ways to broadcast fascinating facts about animals and nature, promote public awareness of wildlife conservation, and encourage everyday changes to support conservation –

- (a) OPC continued to expand Ocean Park’s YouTube playlist with **Redd’s Nature Play Party**, a self-learning platform that quickly became popular among kindergartens and lower primary school students since its debut in February 2020. 40 new videos were added during the financial year to drive young children’s interest in animals and environmental protection. Some schools used the YouTube channel to supplement their teaching materials, while others looked to stimulate creativity when their students stayed at home.
- (b) OPC’s social media team followed the daily lives of its animal ambassadors to drive deeper connection with viewers. Social media was also deployed to advocate conservation during international days and festivals to inspire people on what they could do to contribute to a more sustainable planet. The 182 social media posts in the financial year generated an impressive total audience reach of 34.5 million.

13. Following the future strategy, OPC created a new series of programmes to take the Park experience outside of the gates, offering unique, blended, experiential learning experiences for all. Through activities cited below, OPC deepened conservation and education efforts outside its setting with key partnerships, universities and non-governmental organisations -

- (a) Launched in September 2020, the **Ocean Park Conservation Chill Club** mobilised young people from across Hong Kong to be part of the city’s nature conservation efforts. Billed as the biggest-ever conservation programme in local schools, the initiative focused on three threatened local species: Acropora corals, green turtle and golden birdwing butterfly. It brought together some 50,000 students from 81 schools for concerted efforts.

- (b) In February 2021, OPC expanded its long-standing partnership with the **Chinese University of Hong Kong** (“CUHK”) with a new Memorandum of Understanding (“MOU”) to include education on integrated wildlife conservation, student engagement and community outreach. OPC has supported CUHK’s research on sea jellies since 2013. It led to a breakthrough in the field in 2020 by decoding for the first time high-quality genomes of two species commonly found in Asian waters. The new MOU looks to build on that research to explore the impact of climate change on global sea jelly populations, amongst other education initiatives to nurture a new generation of conservation advocates and change-makers.
- (c) Under the theme of Innovation for Conservation, secondary school students competed in the **Ocean Park STEAM Student Competition 2021** using their science, technology, engineering, arts and mathematics knowledge to create new ways to conserve nature. Guided by their competition mentors, students designed an installation for the butterfly-friendly garden, invented a tool to help sea turtles rehabilitate and created an artificial reef for coral restoration.
- (d) A joint initiative between OPC and Po Leung Kuk, **A Wonderful Journey Inside and Out** brought memorable experiences to the elderly, the physically and mentally challenged as well as students amid the pandemic. The carefully designed series of edutainment activities featured visits and performances at residential care homes, conservation research, moral education as well as art jamming.
  - (i) Outreach activities helped the elderly and disabled residents at Po Leung Kuk rehabilitation centres and special schools to de-stress while enjoying the chance to meet the Park’s animal ambassadors up-close.
  - (ii) Secondary school students interested in veterinary sciences supported OPC’s specialists in conducting necropsies on stranded dolphins and collecting data for research. The initiative not only offered students a hands-on perspective of the field but also broadened their understanding of the detrimental effects of marine pollution and identifying diseases in animals, like dementia in dolphins.

## Conservation Work

14. Ocean Park is proud to have established itself as a centre of excellence for animal care, scientific pursuits, knowledge sharing and conservation fieldwork. In line with the Park’s strategic focus on conservation and education, the Zoological Operations and Conservation team at the Park works with leading researchers to publish new papers, encourage local research and pursue new projects that help the public understand the fragility of our ecosystems.

15. Since 1994, OPC has been supporting a wide array of in-house, local and international research studies as well as *in-situ* and *ex-situ* conservation programmes. As at 30 June 2021, OPC produced or co-authored 312 scientific research publications in international, peer-reviewed journals or presented them at relevant industry conferences. In the financial

year, OPC worked on scientific studies involving 37 animal species, out of which 25 were endangered species, and there were 31 conservation projects in progress. The major studies conducted include –

- (a) The cooperative behaviours of dolphins –  
OPC supported a study that used a cognitive enrichment device to study how dolphins collaborate in pod. The study unearthed the complex social behaviours of dolphins and their cooperative abilities to offer a better understanding of these aquatic mammals. The results were published in three peer-reviewed scientific publications.
- (b) The impact of global warming on spotted seals –  
By creating ice floes of various sizes which provided structural, tactile and cognitive stimulations to spotted seals, OPC’s research team investigated their natural haul-out behaviours. The ice floes also served as educational tools for raising awareness in the effects of global warming, and the consequent habitat loss of Arctic species.
- (c) Behavioural study on the arapaima –  
A native of the mighty Amazon River, the arapaima is one of the largest freshwater fish in the world. However, little was known about these giant creatures and their conservation status was uncertain due to insufficient data. OPC launched the first behavioural study on the arapaima’s daily routines and activity patterns, observing three arapaimas residing at the Park’s rainforest habitat. The team found that each of them has a different personality and set of preferences. The results added to growing knowledge of this noble species.

16. OPC works with various local and international organisations to offer technical guidance and assistance, share experiences and insights, and broaden overall knowledge of our flora and fauna. Some of the activities include –

- (a) In February 2021, OPC’s clinical laboratory experts hosted a laboratory visit for the veterinary team at Hong Kong Zoological and Botanical Garden (“the Botanical Garden”) of the Leisure and Cultural Services Department, and offered advice to the team for their plan to set up more in-house laboratory services and tests for animals.
- (b) In May 2021, OPC helped the Kadoorie Farm and the Botanical Garden run polymerase chain reaction tests for proventricular dilatation disease on birds.
- (c) OPC’s veterinary team conducted lectures and workshops for veterinarians and university students. They also offered professional advice on a regular basis to the International Association for Aquatic Animal Medicine, the Asian College of Conservation Medicine, the World Association of Zoos and Aquariums’ Global Species Management Plan for the Blue-crowned Laughingthrush, the South East Asian Zoo Association Nutrition Network, and the Hong Kong Veterinary Association, among others.

17. In the financial year, OPC's animal and veterinary experts continued to take relevant conservation actions to serve the local community, such as –

- (a) An MOU between OPC and the **Hong Kong Guide Dogs Association** was signed to enable the Park to provide technical assistance in the processing and storing of guide dog semen for five years. The collaboration aims to alleviate the long-existing shortage of guide dogs in Hong Kong by increasing the number of locally bred guide dogs to better meet the needs of the city's visually impaired.
- (b) OPC rescued and provided care for five sea turtles. In conjunction with AFCD, the Park released one of them back into the sea after its rehabilitation.
- (c) OPC conducted necropsy and virtopsy investigations on 51 stranded marine mammals together with the City University of Hong Kong, the Hong Kong Wildlife Health Foundation and the University of Hong Kong.
- (d) OPC's veterinary and marine mammal staff continued to join forces with the Ocean Park Conservation Foundation, Hong Kong and AFCD to investigate cetacean stranding cases in local waters through the Marine Life Stranding Response team. In the financial year, the Marine Life Stranding Response team attended to 52 stranding cases.

18. There were 6,868 animals inhabiting in the Park as at 30 June 2021. The financial year saw some precious moments that underscored the Park's success in animal care and breeding of species of high conservation values. Among them was the birth of the third locally bred golden snub-nosed monkey, an endangered species that can only be found in the mountainous forests of Central and Southwest China. The Park's famous panda residents, Ying Ying and Le Le, turned 15 years old in August 2020, while "centenarian panda" An An turned 34 years old in the same month to become the world's longest-living male giant panda under human care. OPC's panda care team has developed a solid caring programme for geriatric pandas through monitoring their blood pressure and dental conditions, conducting X-ray scanning on arthritis issues, and administering medication to slow down health deterioration. Such professional knowledge and programme have been well recognised in the zoological field.

### **Invigorating Island South**

19. Being an integral part of the Invigorating Island South initiative, Ocean Park will further leverage its unique natural landscape as well as the historical and cultural resources of the Southern District to promote conservation and education to the wider community, as well as add vibrancy to the district. Looking ahead, pending the development of the piers at Deep Water Bay and Tai Shue Wan by the Government, OPC will formulate marine tourism initiatives, making the best use of its seaside location and the nearby water bodies as well as create water connections with other attractions in the vicinity of the Southern District.



## **ADMINISTRATION OF THE TRUST FUND**

20. The Trust Fund was established on 1 July 1987 from an endowment of HK\$200 million granted by The Hong Kong Jockey Club (Charities) Limited. The Trustee of the Trust Fund is OPC, and funds are used to finance the cost of promoting the functions of OPC as specified in the Ocean Park Corporation Ordinance.

21. The Trust Fund spent HK\$102.5 million during the financial year to fund the Tai Shue Wan Development Project and OPC's strategic review of the hotel development project. Inclusive of the fair value gain on financial assets of HK\$16.1 million, the Trust Fund recorded a surplus of HK\$16.5 million in the financial year. The total value of its investments decreased by HK\$86.0 million or 48.1 % to HK\$92.8 million for the financial year. The audited statement of accounts together with the auditor's report on all financial transactions of the Trust Fund are provided at Enclosure 2.

Encl. 2

## **ANNUAL REPORT**

22. The above report serves to meet the requirements of sections 26(3) and 33(3) of the Ocean Park Corporation Ordinance. As in past years, OPC will produce an Annual Report and will send the publication and the online version to the LegCo Secretariat in December 2021. The Annual Report will also be uploaded onto the website of Ocean Park for access by the public.

Ocean Park Corporation  
October 2021

OCEAN PARK CORPORATION

Report and Financial Statements  
For the year ended 30th June 2021

OCEAN PARK CORPORATION

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2021

<u>CONTENTS</u>	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1 & 2
BALANCE SHEET	3
INCOME AND EXPENDITURE ACCOUNT	4
STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 47

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF OCEAN PARK CORPORATION

**Disclaimer of Opinion**

We were engaged to audit the financial statements of Ocean Park Corporation (the "Corporation") set out on pages 3 to 47, which comprise the balance sheet as at 30th June 2021, and the income and expenditure account, 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.

We do not express an opinion on the financial statements of the Corporation. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In all other respects, in our opinion the financial statements have been properly prepared in compliance with the Hong Kong Ocean Park Corporation Ordinance (Cap.388).

**Basis for Disclaimer of Opinion**

As described in notes 2, 4, 5 and 7 to the financial statements, the carrying amounts of the Corporation's property, plant and equipment, right-of-use assets and spare parts included in inventories ("Spare Parts") were HK\$7,393.3 million (2020: HK\$7,727.8 million), HK\$5.9 million (2020: HK\$5.8 million) and HK\$54.6 million (2020: HK\$68.4 million), respectively, which were measured at cost less accumulated depreciation or at the lower of cost and net realisable value, where applicable, as at 30th June 2021.

The Corporation incurred net operating deficit before netting off with the Government Funding Support as disclosed in note 19(d) of approximately HK\$1,111.6 million (2020: HK\$1,171.9 million) for the year ended 30th June 2021, which is an indication that the property, plant and equipment and right-of-use assets may be impaired. We were unable to obtain sufficient appropriate audit evidence about the value-in-use of the cash-generating units to which the property, plant and equipment and right-of-use assets belong to for purpose of impairment assessment. As a result, we were unable to assess the recoverable amounts of the relevant assets and satisfy ourselves that the carrying amounts of the property, plant and equipment and right-of-use assets were free from material misstatement or any impairment loss should have been recognised for the years ended 30th June 2021 and 2020. This caused us to disclaim our opinion in respect of the year ended 30th June 2020.

In addition, with the change of operation model of the Ocean Park in the future as set out in note 2 to the financial statements, the Spare Parts might become redundant in which case the Spare Parts should be written down to the net realisable value. We were unable to obtain sufficient appropriate audit evidence about the net realisable value of the Spare Parts and therefore we were unable to satisfy ourselves that the carrying amount was free from material misstatement or any allowance should have been recognised.

## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF OCEAN PARK CORPORATION - continued

### **Basis for Disclaimer of Opinion** - continued

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the property, plant and equipment, right-of-use assets, and Spare Parts and the elements making up the income and expenditure account, statement of comprehensive income, statement of changes in equity and statement of cash flows.

In view of limitation of scope regarding the property, plant and equipment, right-of-use assets and Spare Parts, we disclaim our opinion in respect of the year ended 30th June 2021.

### **Responsibilities of Board of the Corporation and Those Charged with Governance for the Financial Statements**

The Board of the Corporation is responsible for the preparation of the 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 ("HKICPA") and the Hong Kong Ocean Park Corporation Ordinance (Cap. 388), and for such internal control as the Board of the Corporation 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 Board of the Corporation is responsible for assessing the Corporation'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 Board of the Corporation either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Corporation's financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with the provisions of the Hong Kong Ocean Park Corporation Ordinance (Cap. 388), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Corporation 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.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
19th October 2021

OCEAN PARK CORPORATION

BALANCE SHEET  
AT 30TH JUNE 2021

	<u>NOTES</u>	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
<b>Non-current assets</b>			
Property, plant and equipment	4	7,393.3	7,727.8
Right-of-use assets	5	5.9	5.8
Club debenture	6	3.3	3.3
		<u>7,402.5</u>	<u>7,736.9</u>
<b>Current assets</b>			
Inventories	7	87.9	115.4
Trade and other receivables	8	328.3	186.6
Current account with Ocean Park Trust Fund	9	0.6	8.2
Bank balances and cash	10	711.3	468.8
		<u>1,128.1</u>	<u>779.0</u>
<b>Current liabilities</b>			
Trade and other payables	11	315.3	418.2
Contract liabilities	12	51.4	124.6
Lease liabilities	13	3.9	4.5
		<u>370.6</u>	<u>547.3</u>
Net current assets		<u>757.5</u>	<u>231.7</u>
<b>Non-current liabilities</b>			
Lease liabilities	13	2.1	1.4
Government loans	14	1,323.9	3,677.5
Interest payable on Government loans	14	622.3	1,488.1
Derivative financial instruments	15	-	17.9
Deferred income	14	3,459.8	-
		<u>5,408.1</u>	<u>5,184.9</u>
Net assets		<u>2,751.9</u>	<u>2,783.7</u>
<b>Financed by:</b>			
Capital fund	16	475.0	475.0
Accumulated surplus		<u>2,276.9</u>	<u>2,308.7</u>
		<u>2,751.9</u>	<u>2,783.7</u>

The notes on pages 8 to 47 are an integral part of these financial statements.

Mr. Lau Ming Wai, GBS, JP  
Chairman

OCEAN PARK CORPORATION

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>NOTES</u>	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Revenue	18	393.6	717.1
Operating costs	19	(128.5)	(1,279.4)
Surplus (deficit) from operations		265.1	(562.3)
Finance costs	21	(128.6)	(189.3)
Other expenses	22	(406.6)	(420.3)
Net operating deficit		(270.1)	(1,171.9)
Fair value loss on club debenture		-	(0.5)
Investment income	23	0.3	10.5
Government grants	24	238.0	3,083.7
(Deficit) surplus for the year		<u>(31.8)</u>	<u>1,921.8</u>

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The notes on pages 8 to 47 are an integral part of these financial statements.

OCEAN PARK CORPORATION

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>NOTE</u>	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
(Deficit) surplus for the year		(31.8)	1,921.8
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges	17	-	10.8
Transfer to profit or loss upon discontinuation of hedging relationship	17	-	17.9
Total comprehensive (expense) income for the year		<u>(31.8)</u>	<u>1,950.5</u>

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The notes on pages 8 to 47 are an integral part of these financial statements.



OCEAN PARK CORPORATION

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH JUNE 2021

	Capital fund HK\$ million	Accumulated surplus HK\$ million	Hedging reserve HK\$ million	Total HK\$ million
At 1st July 2019	475.0	386.9	(28.7)	833.2
Surplus for the year	-	1,921.8	-	1,921.8
Other comprehensive income				
Cash-flow hedges	-	-	10.8	10.8
Transfer to profit or loss upon discontinuation of hedging relationship	-	-	17.9	17.9
Total comprehensive income for the year	-	1,921.8	28.7	1,950.5
Balance at 30th June 2020	475.0	2,308.7	-	2,783.7
Deficit and total comprehensive expense for the year	-	(31.8)	-	(31.8)
Balance at 30th June 2021	475.0	2,276.9	-	2,751.9

The notes on pages 8 to 47 are an integral part of these financial statements.

OCEAN PARK CORPORATION

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>NOTES</u>	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Cash flows from operating activities			
Net cash inflow (outflow) from operating activities	25	<u>361.0</u>	<u>(735.7)</u>
Cash flows from investing activities			
Interest received		0.3	15.7
Net withdrawal of fixed deposits held at banks with original maturity over three months		-	546.1
Purchase/construction of property, plant and equipment		(764.2)	(1,341.4)
Funding from Ocean Park Trust Fund		100.0	-
Receipt of Government grants	24	<u>558.7</u>	<u>-</u>
Net cash used in investing activities		<u>(105.2)</u>	<u>(779.6)</u>
Cash flows from financing activities			
Drawdown of Commercial loans	28	-	1,550.0
Repayment of Commercial loans	28	-	(3,170.0)
Settlement of interest rate swaps	15	(19.3)	(13.4)
Interest and other financing costs paid on Commercial loans		(0.1)	(62.4)
Repayment of lease liabilities	28	(5.2)	(5.3)
Receipt of Government grants	24	<u>11.3</u>	<u>3,145.5</u>
Net cash (used in) from financing activities		<u>(13.3)</u>	<u>1,444.4</u>
Net increase (decrease) in cash and cash equivalents		242.5	(70.9)
Cash and cash equivalents at beginning of the year		<u>468.8</u>	<u>539.7</u>
Cash and cash equivalents at end of the year	10	<u><u>711.3</u></u>	<u><u>468.8</u></u>

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The notes on pages 8 to 47 are an integral part of these financial statements.

1. GENERAL INFORMATION

Ocean Park Corporation (the "Corporation") is an independent body incorporated in Hong Kong under the Hong Kong Ocean Park Corporation Ordinance (Cap. 388). The Corporation's principal activity is to manage and control Ocean Park (the "Park") as a public recreational and educational park. The address of its registered office and principal place of operation is Ocean Park Corporation, Aberdeen, Hong Kong.

The financial statements are presented in millions of units of Hong Kong dollars (HK\$ million), unless otherwise stated. These financial statements were approved for issue by the Board of the Corporation (the "Board") on 19th October 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The COVID pandemic has impacted the operations of Ocean Park Corporation significantly for 2020/2021. Due to Government's anti-epidemic measures, the Park opened for only 217 days with capacity control for rides and attractions as well as for catering operations. As a result, attendance at the Park for the year ended 30th June 2021 dropped by 36% to 1.4 million visitors (2020: 2.2 million visitors). Similarly, revenue for the year ended 30th June 2021 dropped significantly by 45% to HK\$393.6 million (2020: HK\$717.1 million).

The Corporation incurred net operating deficit of approximately HK\$1,111.6 million (2020: HK\$1,171.9 million) for the year ended 30th June 2021 before netting off with the Government Funding Support as disclosed in note 19(d) to the financial statements. The Board is of the opinion that, taken into consideration of (a) Government's new commitment of granting HK\$1,664.0 million which will be used to support the operation of the Corporation for settling the Corporation's operating and capital expenditure; (b) agreement with the Government to defer the repayment of the Government loans to September 2028 and waiver of the related interest with effect from 1st July 2021 and; (c) future cash flows from operations, the Corporation will have sufficient working capital to meet its financial obligations as they fall due within twelve months from the date of approval of the financial statements. Accordingly, the Board is satisfied that it is appropriate to prepare the financial statements on a going concern basis.

As at 30th June 2021, the carrying amounts of property, plant and equipment, right-of-use assets and spare part included in inventories ("Spare Parts") were approximately HK\$7,393.3 million (2020: HK\$7,727.8 million), HK\$5.9 million (2020: HK\$5.8 million) and HK\$54.6 million (2020: HK\$68.4 million) respectively. For the purpose of impairment assessment, the Board has identified two relevant cash generating units ("CGU"), which are operations of the Park and the Water World. The Corporation has incurred operating deficit before netting off with Government Funding Support of approximately HK\$1,111.6 million (2020: HK\$1,171.9 million) for the year ended 30th June 2021, which is an impairment indication that the relevant assets under operation of the Park and the Water World may be impaired. In addition, with the change of operation model of the Park in the future as detailed below, the Spare Parts might become redundant in which case their carrying amounts should be written down to the net realisable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

As at 30th June 2021, the carrying amount of the Park is approximately HK\$3,588.4 million, comprising property, plant and equipment of HK\$3,582.5 million and right-of-use assets of HK\$5.9 million. When assessing whether any impairment charge is necessary, the Board considers that these assets, being owned by the Corporation, would be subject to future strategy of the Ocean Park worked out by the Tourism Commission of the Commerce and Economic Development Bureau and the Corporation. This future strategy is expected to provide the Corporation with a more reliable and stable cashflow from operations. Moreover, the latest amendments to the Ocean Park Corporation Ordinance enabling the Corporation to take up extra activities outside the Park is also expected to provide the Corporation with additional revenue streams in future. On 20th August 2021, the Corporation has issued pre-qualification invitation to solicit potential partners to co-develop the Park through a Build-Operate-Transfer model. The exact operation model in the future largely depends on business plan to be agreed with the potential partners. In the absence of such information, there are no reliable future cash flows forecast for the purpose of impairment assessment and for determining the value-in-use of the cash-generating unit to which the relevant assets belong. There is also no reliable information for determining the amounts of Spare Parts that should be written down if the associated equipment is dismantled in the future.

As of 30th June 2021, the Water World was still under construction with a carrying amount of approximately HK\$3,810.8 million, being included in projects in progress under property, plant and equipment. On 21st September 2021, the construction of Water World has been completed and was officially opened for business. Due to the lack of historical operational data comprising popularity and seasonality factors, and since the pandemic has introduced immense uncertainty on the number of tourists visiting the Water World before the travel restrictions could be lifted, there is no reliable future cash flow forecast for the purpose of impairment assessment.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Ocean Park Corporation Ordinance (Cap. 388). For the purpose of preparation of the financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The financial statements have been prepared under historical cost convention, as modified by the revaluation of financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Corporation has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1st July 2020 for the preparation of the financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Corporation's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

**Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The Corporation has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

New or amendments to HKFRSs issued but not yet effective

The Corporation has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June 2021 <sup>6</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1st January 2021

<sup>5</sup> Effective for annual periods beginning on or after 1st June 2020

<sup>6</sup> Effective for annual periods beginning on or after 1st April 2021

Except for the amendments to HKFRSs mentioned below, the Board anticipates that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

New or amendments to HKFRSs issued but not yet effective - continued

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Corporation's outstanding liabilities as at 30th June 2021, the application of the amendments will not result in reclassification of the Corporation's liabilities.

***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement to help entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

New or amendments to HKFRSs issued but not yet effective - continued

***Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*** - continued

The application of the amendments is not expected to have significant impact on the financial position or performance of the Corporation but may affect the disclosures of the Corporation's significant accounting policies. The impacts of application, if any, will be disclosed in the Corporation's future financial statements.

***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Corporation's financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the Corporation's financial statements are measured using the currency of the primary economic environment in which the Corporation operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Corporation's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.3 Property, plant and equipment

Property, plant and equipment (other than projects in progress) are stated at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income and expenditure account during the financial period in which they are incurred.

Depreciation is calculated to write-off the cost of fixed assets less their residual values over their estimated useful lives as follows:

	Depreciation period
Buildings	10 - 40 years
Plant and equipment	2 - 30 years
Exhibition animals	2 - 15 years

Projects in progress are carried at cost. For qualifying assets, cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and borrowing costs capitalised in accordance with the Corporation's accounting policy. Projects in progress are not subject to depreciation. Such properties are classified to appropriate category of property, plant and equipment when completed and ready for intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing proceeds received, if any, with the carrying amount. These are included in the income and expenditure account.

2.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis with the exception of catering stock which are calculated using first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less all cost necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in income and expenditure account.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at financial asset at fair value through profit and loss ("FVTPL").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Club debenture are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in income and expenditure account. The net gain or loss recognised in income and expenditure account is included in the "fair value change on club debenture" line item.

*Impairment of financial assets*

The Corporation recognises a loss allowance for ECL on financial assets (including trade and other receivables, current account with Ocean Park Trust Fund and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

The Corporation always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually. For all other instruments, the Corporation measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Corporation recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Corporation presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Corporation has reasonable and supportable information that demonstrates otherwise.

The Corporation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(ii) Definition of default

For internal credit risk management, the Corporation considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Corporation, in full.

Irrespective of the above, the Corporation considers that default has occurred when a financial asset is more than 90 days past due unless the Corporation has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Corporation writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Corporation's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in income and expenditure account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Corporation recognises an impairment gain or loss in income and expenditure account for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial assets*

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in income and expenditure account.

**Financial liabilities**

*Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, Government loans and interest payable on Government loans are subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Financial liabilities** - continued

*Derecognition of financial liabilities*

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in income and expenditure account unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income and expenditure account depends on the nature of the hedge relationship.

**Hedge accounting**

The Corporation designates derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Corporation documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Corporation documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

*Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Corporation considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Corporation actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Corporation adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.5 Financial instruments - continued

**Hedge accounting** - continued

*Discontinuation of hedge accounting*

The Corporation discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in income and expenditure account.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.7 Employee costs

- (a) Salaries, annual bonuses, paid annual leave and the cost to the Corporation of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Corporation. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (b) The Corporation operates two defined contribution schemes, both of which satisfy the provisions of the Hong Kong Mandatory Provident Fund Schemes Ordinance. Contributions to the schemes are recognised in the income and expenditure account as incurred.

2.8 Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event. It is probable that the Corporation will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.9 Revenue from contracts with customers

*Revenue from contracts with customers*

The Corporation recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs;
- the Corporation's performance creates or enhances an asset that the customer controls as the Corporation performs; or
- the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Corporation's promise in granting a licence is a promise to provide a right to access the Corporation's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Corporation will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Corporation's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Corporation accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Corporation considers the grant of licence as providing the customers the right to use the Corporation's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract liability represents the Corporation's obligation to transfer goods or services to a customer for which the Corporation has received consideration (or an amount of consideration is due) from the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.9 Revenue from contracts with customers - continued

*Revenue from contracts with customers* - continued

**Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Corporation's performance in transferring control of goods or services.

As a practical expedient, if the Corporation has a right to consideration in an amount that corresponds directly with the value of the Corporation's performance completed to date (for example, royalty fee income is charged on a monthly basis based on an agreed fixed percentage of franchisee's sale), the Corporation recognises revenue in the amount to which the Corporation has the right to invoice.

The Corporation shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

2.10 Taxation

The Corporation is exempt from Hong Kong taxes under Section 88 of the Hong Kong Inland Revenue Ordinance.

2.11 Leases

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or arising from business combinations on or after the date of initial application, the Corporation assesses whether a contract is or contains a lease based on the definition under HKFRS 16 "Leases" at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.11 Leases - continued

*The Corporation as a lessee*

**Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Corporation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**Short-term leases**

The Corporation applies the short-term lease recognition exemption to leases properties, machinery and equipment and others that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

**Right-of-use assets**

Except for short-term leases, the Corporation recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Corporation; and
- an estimate of costs to be incurred by the Corporation in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Corporation presents right-of-use assets as a separate line item on the balance sheet.

**Lease liabilities**

At the commencement date of a lease, the Corporation recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.11 Leases - continued

*The Corporation as a lessee* - continued

**Lease liabilities** - continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Corporation is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Corporation presents lease liabilities as a separate line item on the balance sheet.

**Lease modifications**

The Corporation accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Corporation accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Corporation allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.12 Government grants, donations and funding

Government grants are not recognised until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in income and expenditure account on a systematic basis over the periods in which the Corporation recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the balance sheet and transferred to income and expenditure account on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognised in income and expenditure in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rate.

Amounts received or receivable from the Government, Ocean Park Trust Fund and Hong Kong Jockey Club Charities Trust ("HKJC") relating to property, plant and equipment are deducted from the cost of acquisition in arriving at the carrying amount of the assets.

2.13 Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. These costs are expensed in the income and expenditure account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.14 Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment and right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets and right-of-use assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of 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 the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Corporation compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units.

In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

An impairment loss is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset and liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of property, plant and equipment

In accordance with HKAS 16 "Property, Plant and Equipment", the Corporation estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experiences, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Board also performs reviews on whether the assumptions made on useful lives continue to be valid.

Fair value of the government loans

On the date that the government loans are extended and interests are agreed to be waived, the present value of the loans was remeasured. The fair value of the government loans is based on the expected cash flow in the future discounted by an applicable interest rate, taking into consideration of the background and financial position of the Corporation. A degree of judgement is required in establishing the applicable interest rate which this is not directly observable from the market.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - continued

Estimated impairment or allowance of property, plant and equipment, right-of-use assets and Spare Parts

In considering the impairment loss or allowance of property, plant and equipment, right-of-use assets and Spare Parts, the recoverable amount of the property, plant and equipment, right-of-use assets and Spare Parts needs to be determined.

The recoverable amount of the property, plant and equipment and right-of-use assets is the higher of its fair value less costs of disposal and value-in-use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value-in-use, the Corporation has to use all readily available information in determining expected cash flows generated by the cash-generating unit and then discounted to the present value, of which the key assumptions to be applied in preparing cash flow forecast including whether these cash flow forecast is discounted using an appropriate rate. Changing the assumptions in assessing impairment, including the discount rates, the gross profit margin or the revenue growth rate assumptions in the cash flow forecast, could affect the net present value used in the impairment test and as a result affect the Corporation's financial position and results of operations.

Spare Parts are stated at the lower of cost and net realisable value. The Board reviews regularly the suitability of allowance policy and estimates the amount of allowance for Spare Parts. The Corporation identifies obsolete Spare Parts with reference to their working condition and the future plan of the associated equipment. If the working condition of the Spare Parts is not satisfactory or the associated equipment will be retired very soon, the Spare Parts will no longer be usable and their carrying amounts should be written down.

As at 30th June 2021, the carrying amounts of property, plant and equipment, right-of-use assets and Spare Parts were approximately HK\$7,393.3 million (2020: HK\$7,727.8 million), HK\$5.9 million (2020: HK\$5.8 million) and HK\$54.6 million (2020: HK\$68.4 million) respectively. For the purpose of impairment assessment, the Board has identified two relevant CGU, which are operations of the Park and the Water World. The Corporation has incurred operating deficit before netting off with Government Funding Support of approximately HK\$1,111.6 million (2020: HK\$1,171.9 million) for the year ended 30th June 2021, which is an impairment indication that the relevant assets under operation of the Park and the Water World may be impaired. In addition, with the change of operation model of the Park in the future as detailed below, the Spare Parts might become redundant in which case its carrying amount should be written down to the net realisable value.

As at 30th June 2021, the carrying amount of the Park is approximately HK\$3,588.4 million. When assessing whether any impairment charge is necessary, the Board considers that these assets, being owned by the Corporation, would be subject to future strategy of the Ocean Park worked out by the Tourism Commission of the Commerce and Economic Development Bureau and the Corporation. This future strategy is expected to provide the Corporation with a more reliable and stable cashflow from operations. Moreover, the latest amendments to the Ocean Park Corporation Ordinance enabling the Corporation to take up extra activities outside the Park is also expected to provide the Corporation with additional revenue streams in future. On 20th August 2021, the Corporation has issued pre-qualification invitation to solicit potential partners to co-develop the Park through a Build-Operate-Transfer model. The exact operation model in the future largely depends on business plan to be agreed with the potential partners. In the absence of such information, there is no reliable future cash flows forecast for the purpose of impairment assessment and for determining the value-in-use of the cash-generating unit to which the relevant assets belong. There is also no reliable information for determining the amounts of Spare Parts that should be written down if the associated equipment is dismantled in the future.



3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - continued

Estimated impairment or allowance of property, plant and equipment, right-of-use assets and Spare Parts - continued

As of 30th June 2021, the Water World was still under construction with a carrying amount of approximately HK\$3,810.8 million. On 21st September 2021, the construction of Water World has been completed and was officially opened for business. Due to the lack of historical operational data comprising popularity and seasonality factors, and since the pandemic has introduced immense uncertainty on the number of tourists visiting the Water World before the travel restrictions could be lifted, there is no reliable future cash flow forecast for the purpose of impairment assessment.

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u> HK\$ million	<u>Plant and equipment</u> HK\$ million	<u>Exhibition animals</u> HK\$ million	<u>Projects in progress</u> HK\$ million	<u>Total</u> HK\$ million
<b>COST</b>					
At 1st July 2019	3,378.8	4,444.5	24.0	2,904.0	10,751.3
Additions	3.4	96.7	-	1,083.5	1,183.6
Transfer	37.0	76.7	-	(113.7)	-
Disposals and write-off	(9.4)	(51.5)	(1.4)	-	(62.3)
At 30th June 2020	3,409.8	4,566.4	22.6	3,873.8	11,872.6
Additions	0.1	0.3	-	70.4	70.8
Transfer	29.1	98.8	-	(127.9)	-
Disposals and write-off	(33.0)	(81.9)	(0.2)	-	(115.1)
At 30th June 2021	3,406.0	4,583.6	22.4	3,816.3	11,828.3
<b>ACCUMULATED DEPRECIATION</b>					
At 1st July 2019	1,280.7	2,507.3	16.5	-	3,804.5
Provided for the year	122.5	271.2	1.7	-	395.4
Eliminated on disposals and write-off	(9.1)	(45.0)	(1.0)	-	(55.1)
At 30th June 2020	1,394.1	2,733.5	17.2	-	4,144.8
Provided for the year	119.5	271.0	1.6	-	392.1
Eliminated on disposals and write-off	(29.8)	(71.9)	(0.2)	-	(101.9)
At 30th June 2021	1,483.8	2,932.6	18.6	-	4,435.0
<b>CARRYING VALUES</b>					
At 30th June 2021	1,922.2	1,651.0	3.8	3,816.3	7,393.3
At 30th June 2020	2,015.7	1,832.9	5.4	3,873.8	7,727.8

During the year ended 30th June 2021, certain additions to property, plant and equipment of the Corporation were funded by HKSAR Government pursuant to the "Education Tourism Initiatives and Signature Lagoon Show Agreement", Ocean Park Trust Fund and Government Funding Support amounting to HK\$20.6 million (2020: HK\$136.1 million), HK\$100.0 million (2020: nil) and HK\$595.7 million (2020: nil) respectively. The entire amounts were deducted against the cost of acquisition in arriving at the carrying amounts of the property, plant and equipment.

## OCEAN PARK CORPORATION

### 5. RIGHT-OF-USE ASSETS

	<u>Leased properties</u> HK\$ million	
<b>As at 30th June 2021</b>		
Carrying amount		5.9
<b>As at 30th June 2020</b>		
Carrying amount		5.8
<b>For the year ended 30th June 2021</b>		
Depreciation for the year		5.0
<b>For the year ended 30th June 2020</b>		
Depreciation for the year		5.1
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Expense relating to short-term leases and other leases with lease terms ending 12 months from the date of initial application of HKFRs 16	1.2	1.9
Total cash outflow for leases	6.4	7.2
Additions to right-of-use assets	5.0	2.9

The Corporation leases various leased properties for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years. In determining the lease term and assessing the length of the non-cancellable period, the Corporation applies the definition of a contract and determines the period for which the contract is enforceable. No extension options are included in any of the lease agreements entered by the Corporation.

The Corporation regularly entered into short-term leases for leased properties, machinery and equipment and others. As at 30th June 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense was related as disclosed in this note above.

#### **Restrictions or covenants on leases**

In addition, lease liabilities of HK\$6.0 million are recognised with related right-of-use assets of HK\$5.9 million as at 30th June 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

### 6. CLUB DEBENTURE

For the year ended 30th June 2021, a fair value loss of nil (2020: HK\$0.5 million) was recognised in the income and expenditure account.

## OCEAN PARK CORPORATION

### 7. INVENTORIES

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Spare parts	54.6	68.4
Merchandise	23.6	35.5
Catering	5.7	5.8
Consumables	4.0	5.7
	<u>87.9</u>	<u>115.4</u>

### 8. TRADE AND OTHER RECEIVABLES

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Trade receivables	6.8	6.2
Prepayment	7.9	6.3
Interest receivables	0.3	0.3
Other receivables (Note)	313.3	173.8
	<u>328.3</u>	<u>186.6</u>

As at 1st July 2019, trade receivables from contracts with customers amounted to HK\$44.9 million.

All trade receivables were less than 90 days past due and details of impairment assessment of trade receivables are set out in note 30.2.

All the carrying amounts of trade and other receivables are denominated in Hong Kong dollars.

The carrying values of trade and other receivables approximate their fair values.

Note: As at 30th June 2021, included in other receivables was HK\$93.9 million (2020: HK\$151.3 million) expenditure for the project funded by HKSAR Government pursuant to the "Education Tourism Initiatives and Signature Lagoon Show Agreement" incurred by the Corporation and HK\$216.0 million (2020: nil) operating and capital expenditure funded by HKSAR Government Funding Support.

### 9. CURRENT ACCOUNT WITH OCEAN PARK TRUST FUND

Current account with Ocean Park Trust Fund is unsecured, interest-free, and repayable on demand.

## OCEAN PARK CORPORATION

### 10. BANK BALANCES AND CASH

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Fixed deposits held at banks with original maturity of three months or less	324.1	260.7
Cash at bank and in hand	387.2	208.1
Bank balances and cash	<u>711.3</u>	<u>468.8</u>

At 30th June 2021 and 2020, bank balances carry interest at prevailing market rates.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Hong Kong dollar	708.9	424.7
United States dollar	-	36.4
Renminbi	2.4	2.7
Euro	-	3.8
Swiss	-	1.2
	<u>711.3</u>	<u>468.8</u>

### 11. TRADE AND OTHER PAYABLES

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Trade payables	156.1	205.9
Accrued charges	123.2	161.2
Interest payable	-	0.1
Advance deposits and others	36.0	51.0
	<u>315.3</u>	<u>418.2</u>

The carrying amounts of trade and other payables are mainly denominated in Hong Kong dollars.

The carrying values of trade and other payables approximate their fair values.

As at 30th June 2020, included in trade payables is an amount due to Ocean Park Conservation Foundation, Hong Kong of HK\$0.8 million which is unsecured, interest-free, and repayable on demand.

As at 30th June 2020, trade payables and accrued charges included HK\$3.0 million which was related to accrual for legal costs and other claims. For details, please refer to note 22.

During the year ended 30th June 2021, advance deposits and others included HK\$18.9 million (2020: HK\$12.4 million) of funding received but not yet utilised for the project funded by HKSAR Government pursuant to the "Education Tourism Initiatives and Signature Lagoon Show Agreement".

OCEAN PARK CORPORATION

12. CONTRACT LIABILITIES

	30th June 2021 HK\$ million	30th June 2020 HK\$ million
Advances from customers	51.4	124.6

As at 1st July 2019, contract liabilities amounted to HK\$165.6 million.

Contract liabilities of the Corporation, which are expected to be settled within the Corporation's normal operating cycle, are classified as current.

Revenue recognised during the year ended 30th June 2021 that was included in the contract liabilities at the beginning of the year was HK\$100.4 million (2020: HK\$124.2 million).

When the Corporation receives advance payment for tickets, merchandise and catering coupons sold for used in a future date, this will give rise to contract liabilities at the start of a contract, until the tickets and coupons are surrendered or have expired.

13. LEASE LIABILITIES

	2021 HK\$ million	2020 HK\$ million
<b>Lease liabilities payable:</b>		
Within one year	3.9	4.5
Within a period of more than one year but not more than two years	2.1	1.4
	<u>6.0</u>	<u>5.9</u>
Less: Amount due for settlement within 12 months shown under current liabilities	3.9	4.5
Amount due for settlement after 12 months shown under non-current liabilities	2.1	1.4

The incremental borrowing rates applied range from 3.70% to 4.81% (2020: 3.70% to 4.19%).

14. GOVERNMENT LOANS

	Gross amount HK\$ million	Fair value adjustment HK\$ million	2021 HK\$ million	2020 HK\$ million
Government loans	3,677.5	(2,353.6)	1,323.9	3,677.5
Interest payable on Government loans	1,728.5	(1,106.2)	622.3	1,488.1
	<u>5,406.0</u>	<u>(3,459.8)</u>	<u>1,946.2</u>	<u>5,165.6</u>
Deferred Income	-	3,459.8	3,459.8	-
Total	<u>5,406.0</u>	<u>-</u>	<u>5,406.0</u>	<u>5,165.6</u>

OCEAN PARK CORPORATION

14. GOVERNMENT LOANS - continued

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Government loans (Note)	<u>3,677.5</u>	<u>3,677.5</u>
The amounts are repayable:		
Within one year	-	-
More than one year but not exceeding two years	-	431.9
More than two years but not exceeding five years	-	977.3
More than five years	<u>3,677.5</u>	<u>2,268.3</u>
Amounts due after one year shown under non-current liabilities	<u>3,677.5</u>	<u>3,677.5</u>

Note: With the approval of the Finance Committee of the Legislative Council ("LegCo") on 16th December 2005, the HKSAR Government is committed to provide the Corporation a loan of HK\$1,387.5 million for a period of 25 years (matures in 2031) at a fixed interest rate of 5% per annum on the cumulative outstanding balance. Interest was payable together with the principal amount by instalment from September 2021.

The Corporation is funding the Tai Shue Wan ("TSW") Development project through the HKSAR Government loan, HKSAR Government funding support commercial loan, Ocean Park Trust Fund and internal fundings. With the approval of the LegCo on 24th May 2013, the HKSAR Government is committed to provide to the Corporation a loan of HK\$2,290 million for a period of 20 years (matures in 2033) at floating rate which is determined with reference to the interest rate of the Government's fiscal reserves placed with the Exchange Fund on the cumulative outstanding balance. Interest is payable together with the principal amount by instalment from September 2021. The Corporation has fully drawn down HK\$2,290 million (2020: HK\$2,290 million) of the loan as at 30th June 2021.

With the approval of the LegCo on 19th March 2021, the HKSAR Government agreed to defer the commencement date of repayment of the two government loans to September 2028, extended the repayment period to 31 years and waived related interests with effect from July 2021. On the date that the government loans are extended and interests are agreed to be waived, the present value of the loans was remeasured. The benefits derived from such interest-free government loans of HK\$3,459.8 million represents the difference between the fair value of government loans of HK\$1,946.2 million and the original carrying amount of HK\$5,406.0 million are recognised as deferred income. It will be released to profit or loss as government grant income using effective interest method over the extended repayment period.

OCEAN PARK CORPORATION

15. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Liabilities		
Interest rate swap contracts		
Balance at beginning of the year	(17.9)	(28.7)
Settlement of interest rate swaps	19.3	13.4
Loss from settlement of interest rate swaps (Note 21)	(1.4)	-
Revaluation of interest rate swaps (Note 17)	-	(2.6)
	<u>          </u>	<u>          </u>
Balance at end of the year	<u>          </u> -	<u>          </u> (17.9)

The carrying amounts of the derivative financial instruments are denominated in Hong Kong dollars.

16. CAPITAL FUND

	Donations from The Hong Kong Jockey Club Charities Trust HK\$ million	Contribution from Ocean Park Trust Fund HK\$ million	<u>Total</u> HK\$ million
At 1st July 2019, 30th June 2020, 1st July 2020 and 30th June 2021	<u>          </u> 450.3	<u>          </u> 24.7	<u>          </u> 475.0

The funds of Ocean Park Trust Fund are used to finance the cost of promoting the functions of Ocean Park Corporation as specified in the Hong Kong Ocean Park Corporation Ordinance (Cap. 388).

17. HEDGING RESERVE

	<u>Interest rate swap contracts</u> HK\$ million
Balance at 1st July 2019	<u>          </u> (28.7)
Cash-flow hedges:	
Transfer to finance cost (Note 21)	13.4
Revaluation of interest rate swaps (Note 15)	<u>          </u> (2.6)
	10.8
Transfer to profit or loss upon discontinuation of hedging relationship (Note)	<u>          </u> 17.9
Balance at 30th June 2020	<u>          </u> -

Note: The MRP Commercial loans was fully and early repaid and the hedge relationship was discontinued as at 30th June 2020. The cumulative amounts in hedging reserve was reclassified to income and expenditure account as a reclassification adjustment.

## OCEAN PARK CORPORATION

### 18. REVENUE

#### (i) Disaggregation of revenue

	2021 HK\$ million	2020 HK\$ million
Admission income	160.2	413.4
Merchandise income		
- sales of goods	47.4	63.7
- royalty fee income from concession retail operations	5.2	10.9
Catering income		
- sales of food and beverage	108.0	144.6
- royalty fee income from concession food operations	2.3	3.7
In park spending income	15.6	32.9
Royalty fee income from concession hotel operations	3.6	4.6
Revenue from contracts with customers	<u>342.3</u>	<u>673.8</u>
Other income	51.3	43.3
Total	<u><u>393.6</u></u>	<u><u>717.1</u></u>
Timing of revenue recognition		
At a point in time	272.0	604.7
Over time	70.3	69.1
Total	<u><u>342.3</u></u>	<u><u>673.8</u></u>

Admission income, merchandise income from the sales of goods and catering income from the sales of food and beverage noted above are stated before deduction for the following donations to Ocean Park Conservation Foundation, Hong Kong ("OPCFHK"):

- (i) one day's admission income on the 29th and 30th May 2021, named as the 26th Conservation Day amounting to nil (2020: HK\$1.4 million on the 25th Conservation Day on 11th January 2020);
- (ii) HK\$1 per paid admission income (excluding (i) above) to OPCFHK amounting to nil (2020: HK\$1.8 million);
- (iii) contribution from the sales of panda merchandise items and animal interactive programmes amounting to HK\$0.2 million (2020: HK\$0.5 million);
- (iv) contribution from the revenue of Tuxedos Restaurant amounting to nil (2020: HK\$0.8 million); and
- (v) contribution from the revenue of Green Outing amounting to HK\$0.2 million (2020: nil).

During the year ended 30th June 2021, the Corporation received donation from The Hong Kong Jockey Club Charities Trust amounting to HK\$1.4 million (2020: nil) and HK\$1.4 million (2020: 0.3 million), which was recognised as other income noted above.

The Corporation's revenue from contracts with customers was derived solely from its operations in Hong Kong during both years.



## OCEAN PARK CORPORATION

### 18. REVENUE - continued

#### (ii) Performance obligations for contracts with customers

##### Revenue from admission income

Revenue from admission tickets sold is recognised at the point when tickets are accepted and surrendered by the customer. Revenue from tickets sold for use at a future date is deferred and recorded as contract liabilities until the tickets are surrendered or have expired.

Revenue from annual passes is recognised over time evenly over the period of their validity except for the closure of the park.

##### Revenue from sales of goods and food and beverage

Revenue from sales of goods, food and beverage is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the retail store. Payment of the transaction price is due immediately at the point the customer purchases the goods.

##### Revenue from in park spending

Revenue from in park spending is recognised when control of the goods or services has been transferred, being at the point the customer purchases the goods or utilises the services. Payment of the transaction price is due immediately at the point the customer purchases the goods or utilises the services.

##### Revenue from royalty fee income

Revenue from royalty fee income represents royalty fee for rights to operate in Ocean Park, i.e. sale and distribution of the photographic products and services, sale and distribution of food and beverage and operation of a hotel. The royalty arrangements that are based on sale and other measures are recognised by reference to the terms of agreements.

### 19. EXPENSES BY NATURE

Expenses included in operating costs are analysed as follows:

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Cost of inventories sold	61.7	89.4
Employee costs (Note 20)	511.5	699.6
Repairs and maintenance	160.1	153.6
Utilities	81.9	84.6
Advertising and promotion	47.9	68.8
Animal	13.4	12.6
Show and exhibition	24.0	88.5
Auditor's remuneration	0.9	0.5
Donations (Note 19(a))	0.4	5.0
Insurance	31.2	30.3
Professional fees, office and others	37.0	46.5
	<u>970.0</u>	<u>1,279.4</u>
Less: Government Funding Support	(841.5)	-
	<u>128.5</u>	<u>1,279.4</u>

19. EXPENSES BY NATURE - continued

Notes:

- (a) This includes donations to OPCFHK amounting to HK\$0.4 million (2020: HK\$4.5 million) as mentioned in note 18 above, and the value of certain administrative support services provided to OPCFHK amounting to nil (2020: HK\$0.5 million).
- (b) The Corporation engaged third party consultants to assist management in exploring strategic development opportunities and developing proposals for the Board's consideration. The costs incurred by the Corporation in this regard, together with costs of conducting feasibility studies and other related expenditures are funded from the accumulated surplus derived from the assets of Ocean Park Trust Fund.

During the year, the Corporation received HK\$102.5 million (2020: HK\$31.1 million) from Ocean Park Trust Fund of which HK\$2.5 million (2020: HK\$31.1 million) is related to strategic review of the Corporation. The remaining HK\$100 million is (2020: nil) related to the construction of projects in progress under the Tai Shue Wan Development Project. The amount related to the construction of projects was deducted from the cost of acquisition of property, plant and equipment while the remaining amount was net off with the relevant expenditure account when the related expenditure is incurred.

- (c) During the year ended 30th June 2021, operating expenses of HK\$25.4 million (2020: HK\$15.9 million) in relation to the project funded by HKSAR Government pursuant to the "Education Tourism Initiatives and Signature Lagoon Show Agreement" incurred by the Corporation was recognised and netted off with reimbursements received or to be received of the same amount.
- (d) The Legislative Council Finance Committee ("FC") has approved the funding support via FC Paper No. FCR (2020-21)15 at its meeting on 29th May 2020. The HKSAR government is providing a new commitment of HK\$5,425.6 million for providing funding to support the operation of the Corporation from 1st July 2020 to 30th June 2021, to repay the commercial loans and related financing costs and to settle the costs for completing the Corporation's Tai Shue Wan Development Project ("Government Funding Support").

During the year ended 30th June 2021, the HKSAR government granted the Corporation of HK\$841.5 million under the Government Funding Support to subsidise the Corporation's operating expenses. Such government grant was netted off with the Corporation's operating expenses with the following impact on net operating deficit.

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Net operating deficit before netting off Government Funding Support	(1,111.6)	(1,171.9)
Government Funding Support	841.5	-
Net operating deficit	<u>(270.1)</u>	<u>(1,171.9)</u>

OCEAN PARK CORPORATION

20. EMPLOYEE COSTS

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Salaries, wages and other benefits (Note 24(b))	508.8	698.4
Pension cost - defined contribution plans	36.4	43.0
	<u>545.2</u>	<u>741.4</u>
Less: Amount capitalised in property, plant and equipment	(33.7)	(41.8)
	<u>511.5</u>	<u>699.6</u>

21. FINANCE COSTS

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Interest costs on Government loans and Commercial loans	240.4	270.2
Interest costs on lease liabilities	0.2	0.3
Loss from settlement of interest rate swaps (Note 15)	1.4	-
Cash flow hedges - transfer from equity (Note 17)	-	13.4
	<u>242.0</u>	<u>283.9</u>
Less: Borrowing cost capitalised in property, plant and equipment	(113.4)	(94.6)
	<u>128.6</u>	<u>189.3</u>

22. OTHER EXPENSES

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Depreciation and other loss on disposal of property, plant and equipment	405.3	402.6
Depreciation of right-of-use assets	5.0	5.1
Cash flow hedges - transfer from equity (Note 17)	-	17.9
Legal costs and other claims (Note)	(3.7)	(5.3)
	<u>406.6</u>	<u>420.3</u>

Note: The Corporation has been engaged in a formal dispute resolution process with a consultant since April 2017. As a result, during the year ended 30th June 2019, legal costs of HK\$85.5 million were incurred and provision of HK\$87.0 million was made for other costs and expenses associated with this process. During the year ended 30th June 2021, the Corporation incurred additional legal costs of HK\$0.4 million (2020: HK\$3.1 million), which is netted off with an overprovision of other costs and expenses of HK\$4.1 million (2020: HK\$8.4 million) during the year ended 30th June 2021.

23. INVESTMENT INCOME

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Investment income comprises the following:		
Interest income from bank deposits	0.3	11.6
Net exchange loss on financial instruments and bank deposits	-	(1.1)
	<u>0.3</u>	<u>10.5</u>

24. GOVERNMENT GRANTS

- (a) On 20th February 2020, the Corporation entered into the "Education Tourism Initiatives and Signature Lagoon Show Agreement" with the HKSAR Government and committed to complement the "Development Blueprint for Hong Kong's Tourism's Industry" by developing and launching the education tourism initiatives and a new lagoon show (the "Project"). The HKSAR Government will allocate a fund totalling HK\$310 million payable by instalments to the Corporation for promoting education tourism in Hong Kong whereas the Corporation will also utilise own resources to upgrade the Ocean Park's facilities and set up promotion efforts in the major source markets.

During the year ended 30th June 2021, the Corporation received government funding totalling HK\$109.9 million (2020: HK\$61.8 million) of which HK\$77.1 million (2020: HK\$31.1 million) and HK\$26.3 million (2020: HK\$19.8 million) related to capital expenditure and operating expenses respectively, and the remaining balance of HK\$6.5 million (2020: HK\$10.9 million) is advance payment received but not yet utilised.

- (b) During the year ended 30th June 2021, the Corporation received government funding totalling HK\$92.4 million (2020: nil) of which HK\$75.2 million (2020: HK\$15.1 million) and HK\$3.5 million (2020: nil) was recognised in relation to the Employment Support Scheme of the Anti-epidemic Fund and Temporary Job Creation for Private Sector Arrangements of Anti-epidemic Fund 2.0 respectively, which was netted off with employee costs. HK\$4.3 million (2020: HK\$4.7 million) was received and recognised as government grants in relation to the Catering Business (Social Distancing) Subsidy Scheme and other schemes of the Anti-epidemic Fund.
- (c) As at 30th June 2020, HK\$3,079.0 million was received and recognised as government grants under Government Funding Support to repay the commercial loans and related financing costs of the Corporation.

During the year ended 30th June 2021, the HKSAR Government granted the Corporation of HK\$1,670.9 million under Government Funding Support to subsidise the Corporation's capital expenditure (amounted to HK\$595.7 million), operating expenses (amounted to HK\$841.5 million) and financing cost (amounted to HK\$11.3 million), as well as settlement of current liabilities brought forward from last year (amounted to HK\$222.4 million). HK\$1,454.9 million was received by the Corporation during the year ended 30th June 2021.

OCEAN PARK CORPORATION

25. NET CASH FROM OPERATING ACTIVITIES

	<u>Note</u>	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
(Deficit) surplus for the year		(31.8)	1,921.8
Adjustments for:			
- Depreciation and loss on disposal of property, plant and equipment		405.3	402.6
- Depreciation of right-of-use assets		5.0	5.1
- Finance costs (Note 21)		128.6	189.3
- Interest income from financial instruments and bank deposits (Note 23)		(0.3)	(11.6)
- Government grants		(1,184.4)	(3,114.7)
- Fair value loss on financial instruments		-	0.5
Operating deficit before changes in working capital		(677.6)	(607.0)
Changes in working capital:			
Increase (decrease) in inventories		27.5	(10.7)
Increase in trade and other receivables		48.0	51.3
Increase in current account with Ocean Park Trust Fund		7.6	5.7
Decrease in trade and other payables		(66.3)	(134.0)
Decrease in contract liabilities		(73.2)	(41.0)
Receipt of Government grants	24	1,095.0	-
Net cash from (used in) operations		<u>361.0</u>	<u>(735.7)</u>

26. COMMITMENTS

Capital expenditure approved at the end of each reporting period but not yet incurred is as follows:

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Contracted but not provided for	146.4	262.6
Authorised but not contracted for	191.4	515.0
	<u>337.8</u>	<u>777.6</u>

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Corporation's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Corporation's statement of cash flows as cash flows from financing activities.

	Government loans HK\$ million	Commercial loans HK\$ million	Interest payable HK\$ million	Derivative financial instruments HK\$ million	Lease liabilities HK\$ million	Total HK\$ million
At 1st July 2019	3,677.5	1,620.0	1,280.4	28.7	8.2	6,614.8
Financing cash flows	-	(1,620.0)	(62.4)	(13.4)	(5.3)	(1,701.1)
New lease entered	-	-	-	-	2.9	2.9
Exchange difference	-	-	-	-	(0.2)	(0.2)
Revaluation of interest rate swaps	-	-	-	2.6	-	2.6
Finance costs	-	-	270.2	-	0.3	270.5
At 30th June 2020	3,677.5	-	1,488.2	17.9	5.9	5,189.5
Financing cash flows	-	-	(0.1)	(19.3)	(5.2)	(24.6)
New lease entered	-	-	-	-	5.0	5.0
Exchange difference	-	-	-	-	0.1	0.1
Fair value adjustment	(2,353.6)	-	(1,106.2)	-	-	(3,459.8)
Finance costs	-	-	240.4	1.4	0.2	242.0
At 30th June 2021	1,323.9	-	622.3	-	6.0	1,952.2

28. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Corporation if the party or the Corporation has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions. Other than those disclosed elsewhere in the financial statements, the Corporation has no other related party transactions during the year.

The members of the Board do not receive any remuneration for the both years.

29. ATTENDANCE

Attendance at the Park for the year ended 30th June 2021 is 1.4 million visitors (2020: 2.2 million visitors).

30. FINANCIAL RISK MANAGEMENT

30.1 Categories of financial instruments

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
<b>Financial assets</b>		
Financial assets at amortised cost	1,032.3	657.3
Financial assets at FVTPL	3.3	3.3
	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>		
Amortised cost	2,119.4	5,391.4
Derivative financial instruments	-	17.9
	<u>          </u>	<u>          </u>

30.2 Financial risk factors

The Corporation's major financial instruments include trade and other receivables, current account with Ocean Park Trust Fund, bank balances and cash, club debenture, trade and other payables, government loans, interest payable on government loans, lease liabilities and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The Corporation's activities expose it to market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation purchases foreign currency to hedge certain risk exposures.

Risk management is carried out by the Corporation under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk.

(a) **Market risk**

(i) *Foreign exchange risk*

The Corporation purchases items internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions. The Board has established a policy to require the Corporation to manage this foreign exchange risk against the Corporation's functional currency by acquiring foreign currency at the date the purchase is determined. Foreign exchange risk arises when future purchases are denominated in a currency that is not in Hong Kong dollars.

The Corporation's purchases were principally denominated in United States dollars and Hong Kong dollars. As United States dollars are pegged to Hong Kong dollars, there is no significant impact to the deficit for the year as a result of fluctuations in United States dollars against Hong Kong dollars.

30. FINANCIAL RISK MANAGEMENT - continued

30.2 Financial risk factors - continued

(a) **Market risk** - continued

(ii) *Interest rate risk*

The Corporation is also exposed to fair value interest rate risk in relation to the fixed rate bank deposits and fixed rate lease liabilities. However, the management of the Corporation considers the fair value interest rate risk on the fixed deposits is insignificant.

(b) **Credit risk and impairment assessment**

The carrying amounts of cash deposits at banks, trade and other receivables and current account with Ocean Park Trust Fund represent the Corporation's maximum exposure to credit risks in relation to the financial assets. Cash and bank balances were placed with banks with external credit ratings of investment grade to mitigate the risk. For trade and other receivables and current account with Ocean Park Trust Fund, the Corporation reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts. The Corporation does not hold any collateral as security. In this regard, the management of the Corporation considers that the Corporation's credit risk is significantly reduced. In addition, the Corporation performs impairment assessment under ECL model on trade and other receivables and current account with Ocean Park Trust Fund individually.

Management assessed the expected loss on trade receivables individually with Lifetime ECL by estimation based on historical observed default rates, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information at the reporting date.

In determining the 12m ECL for other receivables and current account with Ocean Park Trust Fund, management has made periodic individual assessment on the recoverability, based on historical settlement records, past experience, and also forward-looking information.

As at 30th June 2021, the expected losses rate is insignificant, given there is no history of significant defaults and insignificant impact from forward-looking estimates.



30. FINANCIAL RISK MANAGEMENT - continued

30.2 Financial risk factors - continued

(c) **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Corporation monitors its liquidity reserve (comprising undrawn credit facilities, financial instruments and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Weighted average interest rate %	Less than 1 year HK\$ million	Between 1 and 5 years HK\$ million	Over 5 years HK\$ million	Total undiscounted cash flow HK\$ million	Carry amount at 30th June HK\$ million
<u>At 30th June 2021</u>						
Government loans	3.50	-	-	5,406.0	5,406.0	1,946.2
Trade and other payables	N/A	173.2	-	-	173.2	173.2
		<u>173.2</u>	<u>-</u>	<u>5,406.0</u>	<u>5,579.2</u>	<u>2,119.4</u>
Lease liabilities	4.41	<u>4.0</u>	<u>2.2</u>	<u>-</u>	<u>6.2</u>	<u>6.0</u>
<u>At 30th June 2020</u>						
Government loans	4.19	-	2,911.9	3,946.6	6,858.5	5,165.6
Trade and other payables	N/A	225.8	-	-	225.8	225.8
		<u>225.8</u>	<u>2,911.9</u>	<u>3,946.6</u>	<u>7,084.3</u>	<u>5,391.4</u>
Lease liabilities	3.71	<u>4.8</u>	<u>1.4</u>	<u>-</u>	<u>6.2</u>	<u>5.9</u>
<b>Derivatives - net settlement</b>						
Interest rate swap contracts	3.79	<u>18.6</u>	<u>-</u>	<u>-</u>	<u>18.6</u>	<u>17.9</u>

30. FINANCIAL RISK MANAGEMENT - continued

30.3 Fair value of the Corporation's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Corporation's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/ (financial liabilities)	Fair value at		Fair value hierarchy	Valuation technique(s) and key inputs
	30th June 2021 HK\$' million	30th June 2020 HK\$' million		
Club debenture	3.3	3.3	Level 2	Reference to the latest bid price quoted in over-the-counter market.
Interest rate swap contracts classified as financial instruments	-	(17.9)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no significant unobservable inputs used in determining the fair value of the above financial assets or liabilities. There were no transfers into and out of Level 2 during the years ended 30th June 2021 and 2020.

The management of the Corporation considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the balance sheet approximate their fair value.

OCEAN PARK TRUST FUND

Report and Financial Statements  
For the year ended 30th June 2021

OCEAN PARK TRUST FUND

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2021

<u>CONTENTS</u>	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
BALANCE SHEET	4
INCOME AND EXPENDITURE ACCOUNT	5
STATEMENT OF CHANGES IN ACCUMULATED FUNDS	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 21

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF OCEAN PARK TRUST FUND

**Opinion**

We have audited the financial statements of Ocean Park Trust Fund (the "Fund") set out on pages 4 to 21, which comprise the balance sheet as at 30th June 2021, and the income and expenditure account, statement of changes in accumulated funds 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 Fund as at 30th June 2021, and of its financial performance and 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 Ocean Park Corporation Ordinance (Cap. 388).

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund 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 Trustee of the Fund is responsible for the other information. The other information comprises the information included in the annual 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.

## INDEPENDENT AUDITOR'S REPORT

### TO THE TRUSTEE OF OCEAN PARK TRUST FUND - continued

#### **Responsibilities of Trustee and Those Charged with Governance for the Financial Statements**

The Trustee of the Fund is responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Ocean Park Corporation Ordinance (Cap. 388), and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Fund'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 Trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 solely to you, as a body, in accordance with the provision of the Hong Kong Ocean Park Corporation Ordinance (Cap. 388), 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 HKSAAs 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 HKSAAs, 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 Fund's internal control.

## INDEPENDENT AUDITOR'S REPORT

### TO THE TRUSTEE OF OCEAN PARK TRUST FUND - continued

#### **Auditor's Responsibilities for the Audit of the Financial Statements - continued**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's 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 Fund'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 Fund 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.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
19th October 2021

OCEAN PARK TRUST FUND

BALANCE SHEET  
AT 30TH JUNE 2021

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	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Current assets			
Interest receivables	3	37	288
Financial assets at fair value through profit or loss	4	41,877	64,892
Bank balances and cash	5	51,642	121,905
		<u>93,556</u>	<u>187,085</u>
Current liabilities			
Account and other payables	6	778	8,322
Net assets		<u>92,778</u>	<u>178,763</u>
Financed by:			
Accumulated funds	8	<u>92,778</u>	<u>178,763</u>

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The notes on pages 8 to 21 are an integral part of these financial statements.

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Mr. Lau Ming Wai, GBS, JP  
Chairman,  
for Ocean Park Corporation as Trustee



OCEAN PARK TRUST FUND

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>NOTES</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Interest income		445	2,729
Dividend income		433	520
Net fair value gain (loss) on financial assets at fair value through profit or loss		16,096	(2,548)
Management fees		(354)	(354)
Auditor's remuneration		(21)	(21)
Bank charges		(19)	(1)
Net foreign exchange loss		(71)	(876)
Others		-	5
		<u>16,509</u>	<u>(546)</u>
Funding for Ocean Park Corporation	9	<u>(102,494)</u>	<u>(31,108)</u>
Deficit for the year	8	<u>(85,985)</u>	<u>(31,654)</u>

Total comprehensive expense is the same as deficit for the year. Accordingly, a statement of comprehensive income is not presented.

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The notes on pages 8 to 21 are an integral part of these financial statements.

OCEAN PARK TRUST FUND

STATEMENT OF CHANGES IN ACCUMULATED FUNDS  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Total accumulated funds at beginning of the year	178,763	210,417
Deficit and total comprehensive expense for the year	<u>(85,985)</u>	<u>(31,654)</u>
Total accumulated funds at end of the year	<u><u>92,778</u></u>	<u><u>178,763</u></u>

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The notes on pages 8 to 21 are an integral part of these financial statements.

OCEAN PARK TRUST FUND

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2021

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	<u>NOTE</u>	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Cash flows from operating activities			
Deficit for the year		(85,985)	(31,654)
Adjustments for:			
- Interest income		(445)	(2,729)
- Net fair value (gain) loss on financial assets at fair value through profit or loss		(16,096)	2,548
- Net foreign exchange loss		71	876
Operating loss before changes in working capital		(102,455)	(30,959)
Changes in working capital:			
- Increase in account and other payables		61	9
- Decrease in current account with Ocean Park Corporation		(7,605)	(5,716)
Net cash used in operations		(109,999)	(36,666)
Interest received		696	3,762
Net cash used in operating activities		(109,303)	(32,904)
Cash flows from investing activities			
Net (placements) withdrawal of fixed deposits held at banks with original maturity over three months		(15,337)	82,242
Proceeds from sale of financial assets at fair value through profit or loss		39,006	289
Net cash generated from investing activities		23,669	82,531
Net (decrease) increase in cash and cash equivalents		(85,634)	49,627
Cash and cash equivalents at beginning of the year		95,992	46,365
Cash and cash equivalents at end of the year	5	10,358	95,992

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The notes on pages 8 to 21 are an integral part of these financial statements.

## OCEAN PARK TRUST FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2021

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#### 1. GENERAL INFORMATION

Ocean Park Trust Fund (the "Fund") was established on 1st July 1987 from an endowment of HK\$200 million granted by The Hong Kong Jockey Club (Charities) Limited. The Trustee of the Fund is Ocean Park Corporation, and the funds are used to finance the cost of promoting the functions of Ocean Park Corporation as specified in the Hong Kong Ocean Park Corporation Ordinance (Cap. 388) (the "Ordinance"). The address of its registered office and principal place of operation is Ocean Park Corporation, Aberdeen, Hong Kong.

The financial statements are presented in thousands units of Hong Kong dollars (HK\$'000), unless otherwise stated. These financial statements were approved for issue by the Trustee on 19th October 2021.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Ordinance. The financial statements have been prepared under historical cost convention, as modified by the revaluation of financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

##### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Fund has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1st April 2020 for the preparation of the financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Fund's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued

**Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"**

The Fund has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the financial statements.

New or amendments to HKFRSs issued but not yet effective

The Foundation has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June 2021 <sup>6</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.1 Basis of preparation - continued

New or amendments to HKFRSs issued but not yet effective - continued

- <sup>1</sup> Effective for annual periods beginning on or after 1st January 2023
- <sup>2</sup> Effective for annual periods beginning on or after 1st January 2022
- <sup>3</sup> Effective for annual periods beginning on or after a date to be determined
- <sup>4</sup> Effective for annual periods beginning on or after 1st January 2021
- <sup>5</sup> Effective for annual periods beginning on or after 1st June 2020
- <sup>6</sup> Effective for annual periods beginning on or after 1st April 2021

Except for the amendments to HKFRSs mentioned below, the management of the Foundation anticipates that the application of all new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Foundation's outstanding liabilities as at 30th June 2021, the application of the amendments will not result in reclassification of the Foundation's liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.2 Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Fund's functional and presentation currency.

2.3 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets are recognised immediately in income and expenditure account.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income are recognised on an effective interest basis for financial assets and are presented as interest income.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.3 Financial instruments - continued

**Financial assets** - continued

*Classification and subsequent measurement of financial assets* - continued

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments / receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in income and expenditure account. The net gain or loss recognised in income and expenditure account is included in the "net fair value gain on financial assets at fair value through profit or loss" line item.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.3 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets*

The Fund recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including interest receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Fund measures the loss allowance equal to 12m ECL for financial assets, unless when there has been a significant increase in credit risk since initial recognition, the Fund recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.3 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(i) Significant increase in credit risk - continued

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Fund considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Fund writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in income and expenditure account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2.3 Financial instruments - continued

**Financial assets** - continued

*Impairment of financial assets* - continued

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Fund recognises an impairment gain or loss in income and expenditure account for all financial instruments by adjusting their carrying amount.

*Derecognition of financial assets*

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in income and expenditure account.

**Financial liabilities**

Financial liabilities including account and other payables, are subsequently measured at amortised cost, using the effective interest method.

## OCEAN PARK TRUST FUND

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### 2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### 2.5 Interest and dividend income

Interest and dividend income is recognised on an accruals basis.

- (a) Interest income from bank deposits and securities is accrued on a time-apportioned basis by reference to the principal outstanding and rate applicable.
- (b) Dividend income from financial instruments is recognised when the right to receive payment is established.

#### 2.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset and liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. INTEREST RECEIVABLES

The amounts are aged less than 30 days and represents interest receivables due from banks.

## OCEAN PARK TRUST FUND

### 4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss are held by the independent investment managers at the end of the reporting period are:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
<u>Assets</u>		
Listed unit trust	8,743	14,890
Unlisted unit trust	33,134	50,002
	<u>41,877</u>	<u>64,892</u>

The carrying amounts of the financial instruments are denominated in the following currencies:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Hong Kong dollars	8,743	14,890
United States dollars	33,134	50,002
	<u>41,877</u>	<u>64,892</u>

### 5. BANK BALANCES AND CASH

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Fixed deposits held at banks with original maturity of three months or less	9,827	95,031
Cash at bank and in hand	531	961
Cash and cash equivalents	10,358	95,992
Fixed deposits held at banks with original maturity over three months	41,284	25,913
Bank balances and cash	<u>51,642</u>	<u>121,905</u>

The weighted average effective interest rate on fixed deposits held at banks with original maturity over three months was 0.21% (2020: 1.16%); these deposits have a weighted average maturity of approximately 184 days (2020: 182 days). At 30th June 2021 and 2020, bank balances carry interest at prevailing market rates.

The carrying amounts of the bank balances and cash are denominated in the following currencies:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Hong Kong dollars	21,214	66,054
United States dollars	30,428	55,851
	<u>51,642</u>	<u>121,905</u>

## OCEAN PARK TRUST FUND

### 6. ACCOUNT AND OTHER PAYABLES

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Current account with Ocean Park Corporation (Note 7)	568	8,173
Account payables	189	128
Accruals	21	21
	<u>778</u>	<u>8,322</u>

The carrying values of account and other payables approximate their fair values.

### 7. CURRENT ACCOUNT WITH OCEAN PARK CORPORATION

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Balance payable at beginning of the year	(8,173)	(13,889)
Audit fee paid by Ocean Park Corporation on behalf of the Fund	(21)	(21)
Staff costs paid by Ocean Park Corporation on behalf of the Fund	(54)	(55)
Other expenses paid by Ocean Park Corporation on behalf of the Fund	(1)	(1)
Funding for Ocean Park Corporation (Note 9)	(102,494)	(31,108)
Payments made during the year	110,175	36,901
Balance payable at end of the year	<u>(568)</u>	<u>(8,173)</u>

Current account with Ocean Park Corporation is unsecured, interest-free, and repayable on demand.

### 8. ACCUMULATED FUND

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Endowment granted by the Hong Kong Jockey Club (Charities) Limited	200,000	200,000
Accumulated retained surplus		
- At beginning of the year	(21,237)	10,417
- Deficit for the year	(85,985)	(31,654)
	<u>(107,222)</u>	<u>(21,237)</u>
- At end of the year	<u>92,778</u>	<u>178,763</u>

## OCEAN PARK TRUST FUND

### 9. FUNDING FOR OCEAN PARK CORPORATION

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Funding for Ocean Park Corporation	<u>102,494</u>	<u>31,108</u>

Ocean Park Corporation engaged third party consultants to perform strategic review of the Park and managed a Tai Shue Wan Development Project, of which certain costs are funded by Ocean Park Trust Fund during the year ended 30th June 2021.

The above funding arrangements were all approved in the meetings of the Board of Ocean Park Corporation, which acts as Trustee of Ocean Park Trust Fund.

### 10. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Fund if the party or the Fund has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial or operational decisions. Other than those disclosed elsewhere in the financial statements, the Fund has no other related party transactions during the year.

### 11. FINANCIAL RISK MANAGEMENT

#### 11.1 Categories of financial instruments

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	51,679	122,193
Financial assets at FVTPL	<u>41,877</u>	<u>64,892</u>
<b>Financial liabilities</b>		
Amortised cost	<u>778</u>	<u>8,301</u>

#### 11.2 Financial risk factors

The Fund's major financial instruments include interest receivables, bank balances and cash, financial assets at fair value through profit or loss, current account with Ocean Park Corporation and account payables. Details of these financial instruments are disclosed in respective notes. The Fund's activities expose it to market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund purchases foreign currency to hedge certain risk exposures.

Risk management is carried out by the Fund under policies approved by the Trustee. The Trustee provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk.

11. FINANCIAL RISK MANAGEMENT - continued

11.2 Financial risk factors - continued

**(a) Market risk**

*(i) Foreign exchange risk*

The Fund is exposed to foreign exchange risk as the Fund holds financial assets, including financial instruments which are denominated in United States dollars.

As United States dollars are pegged to Hong Kong dollars, there is no significant impact to the deficit for the year as a result of fluctuations in United States dollars against Hong Kong dollars.

*(ii) Price risk*

The Fund is exposed to price risk because investments held by the Fund are classified at fair value through the income and expenditure account. To manage its price risk arising from investments, the Fund diversifies its portfolio in accordance with the limits set by the Trustee.

At 30th June 2021, the Fund's investments consist of two unit trusts. If the unit prices have increased/decreased by 10% with all other variables held constant, deficit (2020: deficit) for the year would have been HK\$4.2 million (2020: HK\$6.5 million) lower/higher (2020: lower/higher), as a result of increases/decreases of unit prices of these investments.

*(iii) Interest rate risk*

The Fund is also exposed to fair value interest rate risk in relation to the fixed rate bank deposits. However, the Trustee considers the fair value interest rate risk on the fixed deposits is insignificant.

**(b) Credit risk and impairment assessment**

The carrying amounts of cash deposits at banks, financial instruments and interest receivables represent the Fund's maximum exposure to credit risks in relation to the financial assets. Cash and bank balances are placed with banks with external credit ratings of investment grade to mitigate the risk. All financial instruments purchased have external credit ratings of investment grade to mitigate the risk. Account and other receivables are derived from the financial instruments and the credit risk is considered minimal.

In addition, the Fund performs impairment assessment under expected credit losses model upon application of HKFRS 9 on cash deposit at banks, financial instruments and interest receivables individually.



## OCEAN PARK TRUST FUND

### 11. FINANCIAL RISK MANAGEMENT - continued

#### 11.2 Financial risk factors - continued

##### (b) **Credit risk and impairment assessment** - continued

Management assessed the expected loss on cash deposit at banks and interest receivables individually by estimation based on historical observed default rates, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information at the reporting date.

As at 30th June 2021, the expected losses rate is insignificant, given there is no history of significant defaults and insignificant impact from forward-looking estimates.

##### (c) **Liquidity risk**

The policy of the Trustee is to transfer funds only where they comply with the Ordinance and when the Fund has sufficient liquidity. The Fund is not subject to significant liquidity risk as all funds remain invested and its liabilities are minimal.

Account and other payables are due within 12 months and interest-free.

#### 11.3 Fair value measurement

*Fair value of the Fund's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Fund's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

*Fair value of the Fund's financial assets and financial liabilities that are measured at fair value on a recurring basis - continued*

<u>Financial assets</u>	<u>Fair value at</u>		<u>Fair value hierarchy</u>	<u>Valuation technique(s) and key inputs</u>
	<u>30th June 2021</u>	<u>30th June 2020</u>		
	<u>HK\$'000</u>	<u>HK\$'000</u>		
Listed unit trust classified as financial instruments	8,743	14,890	Level 1	Quoted bid prices in active markets.
Unlisted unit trust classified as financial instruments	33,134	50,002	Level 2	Fair value derived from observable market values of underlying assets quoted by relevant stock exchanges at the end of the reporting period.

There were no significant unobservable inputs used in determining the fair value of the above financial assets or liabilities. There were no transfers into and out of Level 1 and Level 2 during the years ended 30th June 2021 and 2020.