

**THE HONG KONG SOCIETY OF FINANCIAL
ANALYSTS LIMITED**

2021

REPORT(S) AND ACCOUNTS



陳李羅會計師事務所有限公司

Chan, Li, Law CPA Limited

香港執業會計師

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED REPORT OF THE BOARD OF DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2021.

PRINCIPAL PLACE OF BUSINESS

The Hong Kong Society of Financial Analysts Limited (the “Society”) is incorporated in Hong Kong and has its registered office and principal place of business at 14/F, BOC Group Life Assurance Tower, 136 Des Voeux Road, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Society is an independent non-profit making organisation set up with its primary goal being to promote and raise standards in the practice of financial analysis in Hong Kong through educational programmes and advocacy works.

RESULTS

The financial performance and cash flows of the Society for the year ended 30 June 2021 and the financial position of the Society at that date are set out in the financial statements on pages 7 to 34.

MEMBERS OF THE BOARD OF DIRECTORS

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

President	Richard Kan Chong MAK, CFA	
Vice-president	Vincent Wing Chung NG, CFA	(retired on 28 January 2021)
Vice-president and secretary	Alvin Man HO, CFA	
Treasurer	Charles Hui Chun CHUI, CFA	
Members	Ashley Pui Wun KHOO, CFA	
	Claudius Sze Wai TSANG, CFA	(retired on 28 January 2021)
	Felicia Chuen Wai WONG, CFA	
	William Hung Piu LEUNG, CFA	(appointed on 14 September 2020)
	Adam Tsz Yin WONG, CFA	(appointed on 14 September 2020)
	Alfred LAU, CFA	(appointed on 12 May 2021)
	Raymond Hing Cheung TSANG, CFA	(appointed on 12 May 2021)

MEMBERS OF THE BOARD OF DIRECTORS (continued)

In accordance with articles 80 and 81 of the Society's articles of association, directors shall retire from office after the term of two years since the last election. In accordance with article 86 of the Society's articles of association, directors filled up casual vacancies of the Board shall retire from office at the next annual general meeting of the Society. The retired directors shall be eligible for re-election.

Accordingly, Richard Kan Chong MAK, Charles Hui Chun CHUI, Ashley Pui Wun KHOO and Felicia Chuen Wai WONG, and Alfred LAU and Raymond Hing Cheung TSANG who filled up casual vacancies during the year shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. All other remaining directors who retired and re-elected at the annual general meeting held on 28 January 2021 shall continue in office for the ensuing year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements or contracts of significance to which the Society was a party, and in which a director of the Society had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Society were entered into or existed during the year.

BUSINESS REVIEW

No business review is presented for the year as the Society has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance since it falls within the reporting exemption.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Society is currently in force and was in force throughout the year.

AUDITORS

The financial statements were audited by Chan, Li, Law CPA Limited, Certified Public Accountants (Practising), which retires and, being eligible, offers itself for re-appointment.

On behalf of the board

Richard Kan Chong MAK, CFA

President

Hong Kong, 18 OCT 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
(incorporated in Hong Kong with limited liability by guarantee)**

Opinion

We have audited the financial statements of The Hong Kong Society of Financial Analysts Limited (the "Society") set out on pages 7 to 34, which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 30 June 2021, and of the financial performance and cash flows of the Society for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 Society 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.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the directors' report set out on pages 1 to 3, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

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

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

The directors are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 Society 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 the directors 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.

Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 18 OCT 2021

Kwok Wai Choi Eddie
Practising Certificate No.: P05451

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
Membership fees	3	5,887,689	6,181,694
Surplus from candidate education	4	95,864	295,735
Surplus from continuing education	5	23,619	52,223
Surplus from investment research challenge	6	-	3,873
CFA Institute Society Operational Funding subvention		2,924,750	2,981,394
		<u>8,931,922</u>	<u>9,514,919</u>
Other income and net gain/(loss)	7	1,709,882	(109,579)
Administrative expenses	8	(7,576,922)	(6,151,729)
Other operating expenses	9	(956,157)	(743,141)
Surplus from operations		<u>2,108,725</u>	<u>2,510,470</u>
Finance costs	10	(54,911)	(129,349)
Surplus before tax		<u>2,053,814</u>	<u>2,381,121</u>
Income tax	16(a)	(38,619)	(896,236)
Surplus for the year		<u>2,015,195</u>	<u>1,484,885</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>2,015,195</u>	<u>1,484,885</u>

The notes on pages 11 to 34 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,402,356	1,832,956
Financial assets at amortised cost	18	7,159,150	9,483,196
Financial assets at fair value through profit or loss	19	8,284,070	5,609,010
		<u>19,845,576</u>	<u>16,925,162</u>
Current assets			
Accounts and other receivables		-	995,772
Deposits and prepayments		709,028	588,308
Fixed deposits		3,600,000	3,600,000
Cash and bank balances		6,907,323	3,271,810
		<u>11,216,351</u>	<u>8,455,890</u>
Current liabilities			
Accounts payable and accruals		1,396,632	413,327
Receipts in advance		1,167,154	430,548
Lease liability	20	1,107,183	1,493,089
Tax payable	16(c)	119,725	896,236
		<u>3,790,694</u>	<u>3,233,200</u>
Net current assets		<u>7,425,657</u>	<u>5,222,690</u>
Total assets less current liabilities		<u>27,271,233</u>	<u>22,147,852</u>
Non-current liabilities			
Lease liability	20	3,223,543	385,357
Accruals		270,000	-
		<u>3,493,543</u>	<u>385,357</u>
NET ASSETS		<u>23,777,690</u>	<u>21,762,495</u>
MEMBERS' EQUITY			
Members' general fund		<u>23,777,690</u>	<u>21,762,495</u>

Approved and authorised for issue by the board of directors on **18 OCT 2021**

Richard Kan Chong MAK, CFA
 President

Charles Hui Chun CHUI, CFA
 Treasurer

The notes on pages 11 to 34 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>Members'</u> <u>general fund</u> HK\$	<u>Fair value</u> <u>reserve</u> <u>(non-recycling)</u> HK\$	<u>Total</u> HK\$
Balance at 1 July 2019				
- original stated		17,928,296	2,349,314	20,277,610
- reclassification of mark-to-market gain on exchange-traded funds	23	2,349,314	(2,349,314)	-
- as restated		<u>20,277,610</u>	<u>-</u>	<u>20,277,610</u>
Total comprehensive income for the year				
- original stated		2,307,101	(822,216)	1,484,885
- reclassification of mark-to-market loss on exchange-traded funds	23	(822,216)	822,216	-
- as restated		<u>1,484,885</u>	<u>-</u>	<u>1,484,885</u>
Balance at 30 June 2020				
- as restated		21,762,495	-	21,762,495
Total comprehensive income for the year		2,015,195	-	2,015,195
Balance at 30 June 2021		<u><u>23,777,690</u></u>	<u><u>-</u></u>	<u><u>23,777,690</u></u>

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Hong Kong dollars)

	Note	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
Cash flows from operating activities			
Surplus before tax		2,053,814	2,381,121
Adjustments for :-			
Net unrealised (gain)/loss on financial assets at fair value through profit or loss		(1,119,584)	822,216
Investment income	11	(486,610)	(505,995)
Interest income	12	(33,054)	(73,351)
Depreciation			
- owned assets	17	45,460	54,550
- property leased for own use	17	1,438,158	1,438,158
Finance costs	10	54,911	129,349
Operating surplus before changes in working capital		<u>1,953,095</u>	<u>4,246,048</u>
Decrease/(increase) in accounts and other receivables		995,772	(797,165)
Increase in deposits and prepayments		(120,720)	(50,690)
Increase/(decrease) in accounts payable and accruals		1,253,305	(312,200)
Increase/(decrease) in receipts in advance		736,606	(1,257,954)
Cash used in operations		<u>4,818,058</u>	<u>1,828,039</u>
Hong Kong profits tax paid, net		(815,130)	-
Net cash generated from operating activities		<u>4,002,928</u>	<u>1,828,039</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	17	(107,649)	(18,407)
Acquisition of financial assets at amortised cost		(1,630,964)	(1,688,232)
Proceeds from disposal of financial assets at amortised cost		3,921,017	780,000
Acquisition of financial assets at fair value through profit or loss		(1,555,476)	-
Increase in time deposit with the original deposit term over three months		-	(600,000)
Dividend received		520,603	528,124
Bank interest received	12	33,054	73,351
Net cash generated from/(used in) investing activities		<u>1,180,585</u>	<u>(925,164)</u>
Cash flows from financing activities			
Capital element of lease rentals paid	21(a)	(1,493,089)	(1,418,651)
Interest element of lease rentals paid	21(a)	(54,911)	(129,349)
Net cash used in financing activities		<u>(1,548,000)</u>	<u>(1,548,000)</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,635,513</u>	<u>(645,125)</u>
Cash and cash equivalents at the beginning of the year		<u>3,271,810</u>	<u>3,916,935</u>
Cash and cash equivalents at the end of the year		<u><u>6,907,323</u></u>	<u><u>3,271,810</u></u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u><u>6,907,323</u></u>	<u><u>3,271,810</u></u>

The notes on pages 11 to 34 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Hong Kong dollars)

1. SOCIETY INFORMATION

The Hong Kong Society of Financial Analysts Limited (the “Society”) is a company incorporated and domiciled in Hong Kong with liability limited by guarantee and with no share capital. Under the provision of the Society’s articles of association, every member of the Society undertakes to contribute, if required, an amount not exceeding HK\$100 to the assets of the Society in the event of its being wound up. The registered office and principal place of business of the Society is located at 14/F, BOC Group Life Assurance Tower, 136 Des Voeux Road, Central, Hong Kong. The principal activities of the Society are to promote and raise standards in the practice of financial analysis in Hong Kong through educational programmes and advocacy works. The branch names of the Society are The Hong Kong Society of Financial Analysts (香港財經分析師學會), HKSFA (香港財經分析師學會), CFA Society Hong Kong (香港特許金融分析師學會) and CFAHK (香港特許金融分析師學會).

The maximum number of members which the Society has registered is 20,000. The number of members of the Society as at 30 June 2021 was 6,661 (2020 : 6,852).

2. 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.

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

(b) Basis of preparation of financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets are stated at amortised cost or at their fair value as explained in the accounting policies (see note 2(g)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies and disclosures

The HKFRSs has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Society. None of these impact on the accounting policies of the Society.

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(f)).

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to surplus or deficit in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net proceeds from disposal and the carrying amount of the item and is recognised in surplus or deficit on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :-

- Property leased for own use	over the lease terms
- Leasehold improvements	over 36 months
- Furniture and equipment	over 36 months

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses recognised in surplus or deficit, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

Non-monetary assets and liabilities that are measured in term of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(f) Impairment of assets

(i) Credit loss from financial assets

The Association recognises loss allowances for ECLs on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Association in accordance with the contract and the cash flows that the Association expects to receive). The expected cash shortfalls are discounted at an approximation to the assets' original effective interest rate where the effect of discounting is material.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(i) Credit loss from financial assets (continued)

The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Association is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Association considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Association's historical experience and informed credit assessment and including forward-looking information.

The Association assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Association has elected to measure loss allowances for finance lease receivables and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Association has established a provision matrix that is based on the Association's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For factoring receivables and other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that right-of-use assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Impairment of non-financial assets

(a) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(b) Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(c) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Investments in debt and equity securities

Investments in debt and equity securities are recognised / derecognised on the date the Association commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in surplus or deficit. For an explanation of how the Association determines fair value of financial instruments, see note 16(f). These investments are subsequently accounted for as follows, depending on their classification.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments in debt and equity securities (continued)

(i) Investments other than equity investments

Non-equity investments held by the Association are classified into one of the following measurement categories :

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 3(n)(ii)).
- fair value through other comprehensive income (“FVOCI”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in surplus or deficit of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to surplus or deficit.
- fair value at profit or loss (“FVPL”) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in surplus or deficit.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated fund. It is not recycled through surplus or deficit.

(h) Recognition of income

Income is classified by the Society as revenue when it arises from the sale of goods, the provision of services or the use by others of the Society’s assets under leases in the ordinary course of the Society’s business.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Recognition of income (continued)

Income is classified by the Society as revenue when it arises from the sale of goods, the provision of services or the use by others of the Society's assets under leases in the ordinary course of the Society's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Society is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

- (i) Membership fee income is recognised on accrual basis when it is due ;
- (ii) Income from programmes and functions is recognised when the programmes and functions are completed ;
- (iii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the rate applicable ; and
- (iv) Dividend income from investments is recognised when the owner's right to receive payment has been established.

(i) Income tax

Income tax for the year comprises current and movements in deferred tax assets and liabilities. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to other comprehensive income directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

Apart from certain limited exceptions deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

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

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

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

(j) Provisions and contingencies

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the time value of money is material, provisions are the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(l) Related parties

(a) A person, or a close member of that person's family, is related to the Society if that person :-

- (i) has control or joint control over the Society ;
- (ii) has significant influence over the Society ; or
- (iii) is a director or a member of the key management personnel of the Society or a parent of the Society.

(b) An entity is related to the Society if any of the following conditions applies :-

- (i) The entity and the Society are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Society or an entity related to the Society.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Society or to the Society's parent.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to mandatory provident fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(n) Leased assets

At inception of a contract, the Society assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Society has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leased assets (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. (see note 2(f))

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

The Society presents right-of-use asset that do not meet the definition of investment property in 'other properties leased for own use' and presents lease liability separately in the statement of financial position.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Society took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

3. MEMBERSHIP FEES

Membership fees represent the total membership annual fee income during the year.

4. SURPLUS FROM CANDIDATE EDUCATION

Surplus from candidate education represents the sales of study materials and the income from the provision of information session received and receivable, less the cost of study materials sold and the programme expenses incurred during the year.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Sales of study materials and programme income	288,153	430,250
Less : Cost of study materials and programme expenses	(192,289)	(134,515)
	<u>95,864</u>	<u>295,735</u>

5. SURPLUS FROM CONTINUING EDUCATION

Surplus from continuing education represents the programme income received and receivable from the provision of luncheon, seminar and workshop, less the programme expenses recognised during the year.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Programme income	35,638	134,241
Less : Programme expenses	(12,019)	(82,018)
	<u>23,619</u>	<u>52,223</u>

6. (DEFICIT)/SURPLUS FROM INVESTMENT RESEARCH CHALLENGE

(Deficit)/surplus from investment research challenge represents the income received and receivable from the competition, less the competition expenses incurred during the year.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Competition income	15,526	92,720
Less : Competition expenses	(55,076)	(88,847)
	<u>(39,550)</u>	<u>3,873</u>

7. OTHER INCOME AND NET GAIN/(LOSS)

	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
Investment income, net (note 11)	486,610	505,995
Interest income from bank deposits (note 12)	33,054	73,351
Sundry income	70,634	16,213
Compensation income from CFA Institute	-	117,078
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	1,119,584	(822,216)
	<u>1,709,882</u>	<u>(109,579)</u>

8. ADMINISTRATIVE EXPENSES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Depreciation on owned assets	45,460	54,550
Depreciation on right-of-use assets	1,438,158	1,438,158
Electricity	10,452	10,723
Personnel costs (note 13)	5,499,783	4,133,212
Government rent, rates and building management fee	291,544	298,694
Telephone and internet	209,910	174,227
Administrative expenses	81,615	42,165
	<u>7,576,922</u>	<u>6,151,729</u>

9. OTHER OPERATING EXPENSES

	<u>2021</u> HK\$	<u>2020</u> HK\$
Advertising and promotion for public awareness	19,092	109,704
Audit fee	31,500	39,900
Bank charges	11,033	11,893
Best report research competition	21,500	32,905
Business registration fee	1,250	750
Commission for online receipt	3,448	11,546
Computer software expenses	410,420	-
Deficit from investment research challenge (note 6)	39,550	-
Deficit from social functions (note 14)	765	73,454
Exchange loss, net	61,951	15,979
Insurance	75,208	68,436
Local travelling	1,310	2,754
Meeting expenses	10,840	34,716
Membership expenses	5,049	4,311
Office cleaning	98,194	118,323
Overseas travelling	-	6,079
Postages, printing and stationery	84,945	102,859
Professional fees	36,828	12,325
Provision for office reinstatement	-	60,000
Repairs and maintenance	6,063	19,535
Stamp duty	3,552	-
Sundry expenses	33,659	17,672
	<u>956,157</u>	<u>743,141</u>

10. FINANCE COSTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest on lease liability	<u>54,911</u>	<u>129,349</u>

11. INVESTMENT INCOME, NET

	<u>2021</u> HK\$	<u>2020</u> HK\$
Interest received from debt securities	310,506	318,308
Dividend received from listed equity securities	176,104	187,687
	<u>486,610</u>	<u>505,995</u>

12. INTEREST INCOME FROM BANK DEPOSITS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Bank interest income	264	868
Interest received from fixed deposits	32,790	72,483
	<u>33,054</u>	<u>73,351</u>

13. PERSONNEL COSTS

	<u>2021</u> HK\$	<u>2020</u> HK\$
Salaries	4,934,845	3,980,070
Mandatory Provident Fund contributions	143,528	136,420
Staff welfare and allowances	21,650	16,722
Long-Service Payment	399,760	-
	<u>5,499,783</u>	<u>4,133,212</u>

14. DEFICIT FROM SOCIAL FUNCTIONS

Deficit from social functions represents the income received and receivable from the provision of functions, less the function expenses incurred during the year.

	<u>2021</u> HK\$	<u>2020</u> HK\$
Function income	-	111,235
Less : Function expenses	(765)	(184,689)
	<u>(765)</u>	<u>(73,454)</u>

15. BENEFITS AND INTERESTS OF DIRECTORS

No benefits and interests of directors required to be disclosed pursuant to section 383(1)(a) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation was incurred for the current and preceding years.

16. INCOME TAX

- (a) Income tax in the statement of profit or loss and other comprehensive income represents :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Current tax :-		
Provision for Hong Kong profits tax for preceding years	-	572,405
Provision for Hong Kong profits tax for 2021/22 :		
- the first HK\$2,000,000 at 8.25%	48,619	165,000
- the remainder at 16.5%	-	158,831
Over-provision for previous year	(10,000)	
	<u>38,619</u>	<u>896,236</u>
Deferred tax :-		
Origination and reversal of temporary differences	-	-
Actual tax expenses for the year	<u><u>38,619</u></u>	<u><u>896,236</u></u>

- (b) Reconciliation between the actual tax expenses and accounting surplus at applicable tax rates is as follows :-

	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
Surplus before tax	<u>2,053,814</u>	<u>2,381,121</u>
Provision for Hong Kong profits tax at the effective tax rate	169,440	260,270
Tax effect of :-		
- non-deductible expenses	-	98,564
- non-taxable income	(114,649)	(35,194)
- change in deferred tax not recognised	(15,945)	4,211
- others	9,773	(4,020)
(Over)/under-provision in previous years	(10,000)	572,405
Actual tax expenses for the year	<u><u>38,619</u></u>	<u><u>896,236</u></u>

- (c) Tax payable in the statement of financial position represents :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Estimated liability to Hong Kong profits tax for the year	48,619	323,831
Hong Kong profits tax liability in respect of previous years	71,106	572,405
Tax payable	<u><u>119,725</u></u>	<u><u>896,236</u></u>

17. PROPERTY, PLANT AND EQUIPMENT

	<u>Property leased for own use</u> HK\$	<u>Leasehold improvements</u> HK\$	<u>Furniture and equipment</u> HK\$	<u>Total</u> HK\$
Cost :-				
At 1 July 2019	3,235,856	846,023	673,847	4,755,726
Additions	-	-	18,407	18,407
At 30 June 2020	<u>3,235,856</u>	<u>846,023</u>	<u>692,254</u>	<u>4,774,133</u>
Additions	3,945,369	-	107,649	4,053,018
At 30 June 2021	<u>7,181,225</u>	<u>846,023</u>	<u>799,903</u>	<u>8,827,151</u>
Accumulated depreciation :-				
At 1 July 2019	-	846,023	602,446	1,448,469
Charge for the year	1,438,158	-	54,550	1,492,708
At 30 June 2020	<u>1,438,158</u>	<u>846,023</u>	<u>656,996</u>	<u>2,941,177</u>
Charge for the year	1,438,158	-	45,460	1,483,618
At 30 June 2021	<u>2,876,316</u>	<u>846,023</u>	<u>702,456</u>	<u>4,424,795</u>
Net book value :-				
At 30 June 2021	<u>4,304,909</u>	<u>-</u>	<u>97,447</u>	<u>4,402,356</u>
At 30 June 2020	<u>1,797,698</u>	<u>-</u>	<u>35,258</u>	<u>1,832,956</u>

The net book value of right-of-use asset is presented as property leased for own use. The Society has obtained the right to use a property as its office through tenancy agreement, the recognition of right-of-use asset of HK\$3,945,369 related to the capitalised lease payments payable under the tenancy agreement. The analysis of expense items in relation to leases recognised in profit or loss is as follows :-

	<u>Note</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Depreciation on right-of-use assets		1,438,158	1,438,158
Interest on lease liability	10	<u>54,911</u>	<u>129,349</u>

Details of the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced and total cash outflow for leases are set out in notes 20 and 21(b), respectively.

18. FINANCIAL ASSETS AT AMORTISED COST

	<u>2021</u> HK\$	<u>2020</u> HK\$
Debt securities, at amortised cost	7,159,150	9,483,196
Market value	7,344,480	9,680,151

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u> HK\$	<u>2020</u> (restated) HK\$
Exchange-trade funds listed in Hong Kong	6,749,680	5,609,010
Equity securities listed in Hong Kong	1,534,390	-
	<u>8,284,070</u>	<u>5,609,010</u>

20. LEASE LIABILITY

The following table shows the remaining contractual maturities of the Society's lease liability at the end of the current and previous reporting periods :-

	<u>2021</u>		<u>2020</u>	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within one year	1,107,183	1,244,850	1,493,089	1,548,000
After one year but within five years	2,838,147	1,528,650	385,357	387,000
After two year but within five years	385,396	1,872,581	-	-
	<u>4,330,726</u>	<u>4,646,081</u>	<u>1,878,446</u>	<u>1,935,000</u>
Less : Total future interest expenses		(315,355)		(56,554)
Present value of the lease liability		<u>4,330,726</u>		<u>1,878,446</u>

21. OTHER CASH FLOW INFORMATION

(a) Reconciliation of liabilities arising from financing activities is as follows :-

	<u>Lease liability</u> HK\$
At 1 July 2019	3,297,097

Changes from cash flows :-	
Capital element of lease rentals paid	(1,418,651)
Interest element of lease rentals paid	(129,349)
Other changes :-	
Interest on lease liability	129,349

	(1,418,651)

At 30 June 2020	1,878,446

Changes from cash flows :-	
Capital element of lease rentals paid	(1,493,089)
Interest element of lease rentals paid	(54,911)
Other changes :-	
Additions from a new tenancy agreement	3,945,369
Interest on lease liability	54,911

	2,452,280

At 30 June 2021	4,330,726
	=====

(b) Cash outflow for leases included in the cash flow statement comprise the following :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within operating cash flows	-	-
Within investing cash flows	-	-
Within financing cash flows	1,548,000	1,548,000
	-----	-----
	1,548,000	1,548,000
	=====	=====

These amounts relate to the lease rentals paid.

22. DEFERRED TAX

At the end of each reporting period, no deferred tax has been provided for as the Society did not have any significant temporary differences which gave rise to a deferred tax asset or liability.

23. RECLASSIFICATION OF MARK-TO-MARKET LOSS ON EXCHANGE-TRADED FUNDS

The Society had recognised the mark-to-market loss of exchange-traded funds for the year ended 30 June 2020. Upon checking the requirements of the HKFRS 9, the Society considered that the mark-to-market gain or loss should be recognised via profit and loss account. Therefore, the following adjustments were made to the financial statements to reflect the more appropriate accounting treatment mark-to-market loss in relation to the exchange-traded funds for the year ended 30 June 2020.

	30 June 2020 (as originally stated) HK\$	Increase/ (decrease) HK\$	30 June 2020 (as restated) HK\$
Statement of profit or loss and other comprehensive income :-			
Other income and net gain/(loss)	712,637	(822,216)	(109,579)
Surplus for the year	2,307,101	(822,216)	1,484,885
Other comprehensive expense for the year	822,216	(822,216)	-
Statement of financial position :-			
Financial assets at fair value through other comprehensive income	5,609,010	(5,609,010)	-
Financial assets at fair value through profit or loss	-	5,609,010	5,609,010
Member's general fund	20,235,397	1,527,098	21,762,495
Fair value reserve	1,527,098	(1,527,098)	-
	=====	=====	=====

24. FINANCIAL RISK MANAGEMENT

The Society has classified its financial assets in the following categories :-

	<u>2021</u>	<u>2020</u>
	HK\$	(restated) HK\$
Financial assets at amortised cost		
- debt securities	7,159,150	9,483,196
	-----	-----
Financial assets at fair value through profit or loss		
- exchange-trade funds listed in Hong Kong	6,749,680	5,609,010
- equity securities listed in Hong Kong	1,534,390	-
	-----	-----
	8,284,070	5,609,010
	-----	-----
Loans and receivables :-		
Accounts and other receivables	-	995,772
Deposits and prepayments	709,028	588,308
Fixed deposits	3,600,000	3,600,000
Cash and bank balances	6,907,323	3,271,810
	-----	-----
	11,216,351	8,455,890
	-----	-----
	26,659,571	23,548,096
	=====	=====

The Society has classified its financial liabilities in the following categories :-

	<u>2021</u>	<u>2020</u>
	HK\$	HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	1,666,632	413,327
Receipts in advance	1,167,154	430,548
Lease liability	4,330,726	1,878,446
	-----	-----
	7,164,512	2,722,321
	=====	=====

Except for debt securities stated at amortised cost and equity securities listed in Hong Kong stated at fair value, all other financial instruments are carried at amounts not materially different from their fair values as at 30 June 2021 and 30 June 2020. The debt securities stated at amortised cost and equity securities listed in Hong Kong stated at fair value are set out in notes 18 and 19 respectively.

The Society is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Society's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on its financial performance and position.

24. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

The Society is exposed to credit risk on financial assets, mainly attributable to loans and receivables and cash and cash equivalents.

The Society's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2021 and 30 June 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

An analysis of the age of accounts and other receivables that are past due as at the reporting date but not impaired :-

	<u>2021</u> HK\$	<u>2020</u> HK\$
Past due up to		
- 30 days	-	995,472
- 31 to 60 days	-	-
- 61 to 120 days	-	-
- Over 120 days	-	300
	<u>-</u>	<u>995,772</u>

The Society's cash and cash equivalents are mainly deposited in the financial institutions with high credit-ratings assigned by international credit-rating agencies.

(b) Liquidity risk

The Society is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

Summary quantitative data

	<u>Not later than 1 month</u> HK\$	<u>Later than 1 month but not later than 3 months</u> HK\$	<u>Later than 3 months but not later than 1 year</u> HK\$	<u>Later than 1 year but not later than 5 years</u> HK\$	<u>Carrying amounts</u> HK\$
<u>2021</u>					
Accounts payable and accruals	91,800	1,604,832	-	270,000	1,966,632
Receipts in advance	1,167,154	-	-	-	1,167,154
Lease liability	127,905	241,013	738,265	3,223,543	4,330,726
	<u>1,386,859</u>	<u>1,845,845</u>	<u>738,265</u>	<u>3,493,543</u>	<u>7,464,512</u>
<u>2020</u>					
Accounts payable and accruals	43,177	36,000	2,400	331,750	413,327
Receipts in advance	430,548	-	-	-	430,548
Lease liability	124,424	248,848	1,119,817	385,357	1,878,446
	<u>598,149</u>	<u>284,848</u>	<u>1,122,217</u>	<u>717,107</u>	<u>2,722,321</u>

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

(i) Currency risk

The Society receives membership fees in United States dollars (“US dollars”) that expose it to foreign currency risk. Since Hong Kong dollars (“HK dollars”) are pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances.

Summary quantitative data

Balances denominated in US dollars	HK\$
<u>2021</u>	
Debt securities	7,159,150
Cash and bank balances	4,872,054
	<u>12,031,204</u>
<u>2020</u>	
Debt securities	9,483,196
Accounts receivables	957,060
Cash and bank balances	1,984,337
	<u>12,424,593</u>

Sensitivity analysis

No sensitivity analysis for the Society’s exposure to currency risk arising from financial assets denominated in US dollars is prepared since a change in value of the HK dollars against the US dollars is insignificant.

(ii) Interest rate risk

The Society’s exposure on fair value interest rate risk mainly arises from its deposits with banks and debt securities.

The Society mainly holds fixed deposits with bank with maturity for 1 year (2020: for 1 year) and the exposure is considered not significant. It also invests surplus funds in fixed income securities and such investments are not considered to expose to interest rate risk under the debt securities.

The changes in interest rates are not significant to the financial statements.

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Equity price risk

The investments in equity securities are classified as equity securities which expose the Society to equity price risk. As the Society's policy is only to invest on such investment by its surplus funds for long term purposes, the exposure to short term equity price movement may not have significant impact on the Society's financial position unless the issuer of underlying equity investment goes bankrupt.

Summary quantitative data

	<u>2021</u> HK\$	<u>2020</u> HK\$
Equity securities listed in Hong Kong	8,284,070	5,609,010

Sensitivity analysis

At 30 June 2021, if the equity price increased/decreased of 10%, with other variables held constant, the Society's surplus for the year and members' general funds would have been increased/decreased by HK\$828,407 (2020 : HK\$560,901).

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the end of the reporting period and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price illustrate the percentage change of the equity price from their fair value at the end of the reporting period.

The analysis was prepared on the same basis for 2020.

25. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of the financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows :-

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments ;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data ; and
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

25. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2021</u>				
Financial assets at fair value through profit or loss	8,284,070	-	-	8,284,070
<u>2020</u>				
(restated)				
Financial assets at fair value through profit or loss	5,609,010	-	-	5,609,010

During the year, there were no transfers between instruments in Level 2 and Level 3.

26. CAPITAL MANAGEMENT

The capital structure of the Society consists of debt, cash and cash equivalents and members' general funds. The Society has a written investment policy statement in managing its capital mainly to maximize the return on invested assets while minimizing risk and expenses. The objective of such policy statement is to ensure the Society will be able to continue as a going concern through prudent investment and planning, as well as through the maintenance of a diversified portfolio. No changes are made in the overall strategy during the year ended 30 June 2020 and 30 June 2021. The members of the board of directors of the Society regularly review and manage its capital to ensure adequacy for both operational and capital need.

27. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

The following new and revised HKFRSs, potentially relevant to the Society's financial statements, have been issued, but are not yet effective and have not been early adopted by the Society.

	Effective for accounting period beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Society has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its financial performances of operations and financial position.

