THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED

2020

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 2020

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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 2020.

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 2020 and the financial position of the Society at that date are set out in the financial statements on pages 7 to 37.

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	Peter Anthony WATSON, CFA	(resigned on 15 February 2020)
	Franki Ka Fai CHUNG, CFA	(resigned on 22 June 2020)
	Richard Kan Chong MAK, CFA	
Vice-president	Vincent Wing Chung NG, CFA	
Secretary	Alvin Man HO, CFA	
Treasurer	Charles Kin Wai CHUI, CFA	
	Yin Toa LEE, CFA	(retired on 9 January 2020)

MEMBERS OF THE BOARD OF DIRECTORS (continued)

Members	Alice Yee Lam WONG, CFA	(retired on 9 January 2020)
	Ashley Pui Wun KHOO, CFA	
	Claudius Sze Wai TSANG, CFA	
	Felicia Chuen Wai WONG, CFA	
	Ho Tak LEE, CFA	(resigned on 22 June 2020)
	William Hung Piu LEUNG, CFA	(appointed on 14 September 2020)
	Kevin Tsz King KWAN, CFA	(retired on 9 January 2020)
	Adam Tsz Yin WONG, CFA	(appointed on 14 September 2020)
	Verna Yu-Ting LIN, CFA	(retired on 9 January 2020)

Peter Anthony WATSON, Franki Ka Fai CHUNG and Ho Tak LEE resigned as directors of the Society due to their personal reasons. They have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Society needed to be brought to the attention of the members of the Society.

In accordance with articles 80 and 81 of the Society's articles of association, a retiring Executive Director shall retire from office after the term of two years since the last election. Accordingly, Vincent Wing Chung NG, Alvin Man HO and Claudius Sze Wai TSANG shall retire from office at the forthcoming annual general meeting of the Society. In accordance with article 86, William Hung Piu LEUNG and Adam Tsz Yin WONG who filled up casual vacancies of the Board shall retire from office at the forthcoming annual general meeting of the Society. The retiring directors shall be eligible for re-election subject to the qualifications required under articles 83 and 83A. All other remaining directors shall continue in office.

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 (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Society is currently in force and was in force throughout this 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, 31 DEC 2020

Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
陳李羅會計師事務所有限公司

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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 37, which comprise the statement of financial position as at 30 June 2020, 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 2020, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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, 31 DEC 2020

Li King Man
Practising Certificate No.: P05777

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$	2019 HK$
INCOME			
Membership fees	3	6,181,694	6,137,464
Surplus from candidate education	4	295,735	418,406
Surplus from continuing education	5	52,223	167,988
Surplus from investment research challenge	6	3,873	-
CFA Institute Society Operational Funding subvention		2,981,394	2,927,379
Other revenue	7	712,637	551,785
		10,227,556	10,203,022
Administrative expenses	8	(6,151,729)	(6,619,886)
Other operating expenses	9	(743,141)	(846,441)
Surplus from operations		3,332,686	2,736,695
Finance costs	10	(129,349)	-
Surplus before tax		3,203,337	2,736,695
Income tax	16(a)	(896,236)	-
SURPLUS FOR THE YEAR		2,307,101	2,736,695
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(822,216)	132,177
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,484,885	2,868,872

The notes on pages 11 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$	2019 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,832,956	71,401
Financial assets at amortised cost	18	9,483,196	8,597,093
Financial assets at fair value through other comprehensive income	19	5,609,010	6,431,226
		16,925,162	15,099,720
Current assets			
Accounts and other receivables		995,772	198,607
Deposits and prepayments		588,308	537,618
Fixed deposits		3,600,000	3,000,000
Cash and bank balances		3,271,810	3,916,935
		8,455,890	7,653,160
Current liabilities			
Accounts payable and accruals		413,327	725,527
Receipts in advance		430,548	1,688,502
Lease liability	20	1,493,089	-
Tax payable	16(c)	896,236	-
		3,233,200	2,414,029
Net current assets		5,222,690	5,239,131
Total assets less current liabilities		22,147,852	5,239,131
Non-current liabilities			
Lease liability	20	(385,357)	-
NET ASSETS		21,762,495	20,338,851
MEMBERS' EQUITY			
Members' general fund		20,235,397	17,989,537
Fair value reserve		1,527,098	2,349,314
		21,762,495	20,338,851

Approved and authorised for issue by the board of directors on 31 DEC 2020

Richard Kan Chong MAK, CFA
President

Charles Kin Wai CHUI, CFA
Treasurer

The notes on pages 11 to 37 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 2020
(Expressed in Hong Kong dollars)

	Note	Members' general fund HK$	Fair value reserve (non-recycling) HK$	Total HK$
Balance at 1 July 2018		15,252,842	2,217,137	17,469,979
Total comprehensive income for the year		2,736,695	132,177	2,868,872
Balance at 30 June 2019		17,989,537	2,349,314	20,338,851
Adjustment on adoption of HKFRS 16	2(c)	(61,241)	-	(61,241)
Total comprehensive income for the year		2,307,101	(822,216)	1,484,885
Balance at 30 June 2020		20,235,397	1,527,098	21,762,495

The notes on pages 11 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$	2019 HK$
Cash flows from operating activities			
Surplus before tax		3,203,337	2,736,695
Adjustments for :-			
Investment income	11	(505,995)	(408,593)
Interest income	12	(73,351)	(27,014)
Gain on disposal of debt securities investments		-	(34,462)
Depreciation			
- owned assets	17	54,550	51,403
- property leased for own use	17	1,438,158	-
Finance costs	10	129,349	-
Operating surplus before changes in working capital		4,246,048	2,318,029
Increase in accounts and other receivables		(797,165)	(50,535)
(Increase)/decrease in deposits and prepayments		(50,690)	1,286
(Decrease)/increase in accounts payable and accruals		(312,200)	376,054
(Decrease)/increase in receipts in advance		(1,257,954)	370,020
Net cash generated from operating activities		1,828,039	3,014,854
Cash flows from investing activities			
Acquisition of property, plant and equipment	17	(18,407)	(68,961)
Acquisition of debt securities investments		(1,688,232)	(5,765,409)
Disposal of debt securities investments		780,000	1,934,737
Acquisition of equity securities investments		-	(980,500)
Increase in time deposit with deposit term over three months		(600,000)	(800,000)
Investment income received		528,124	432,099
Bank interest received	12	73,351	27,014
Net cash used in investing activities		(925,164)	(5,221,020)
Cash flows from financing activities			
Capital element of lease rentals paid	22(a)	(1,418,651)	-
Interest element of lease rentals paid	22(a)	(129,349)	-
Net cash used in financing activities		(1,548,000)	-
Net decrease in cash and cash equivalents		(645,125)	(2,206,166)
Cash and cash equivalents at the beginning of the year		3,916,935	6,123,101
Cash and cash equivalents at the end of the year		3,271,810	3,916,935
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		3,271,810	3,916,935

The notes on pages 11 to 37 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 2020
(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 and is limited liability by guarantee 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 2020 was 6,852 (2019 : 6,707).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 instruments are stated at amortised cost and at their fair value as explained in the accounting policies (see note 2(g)).

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 HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Society. Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Society's results and financial position for the current or prior periods have been prepared or presented. The Society has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged. HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Society has initially applied HKFRS 16 as from 1 July 2019. The Society has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of accumulated members' general fund at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below :-

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Society applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Society has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Society is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. The explanation of how the Society applies lessee accounting is disclosed in note 2(n)).

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the Society determined the length of the remaining lease terms and measured the lease liability for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125% per annum.

To ease the transition to HKFRS 16, the Society applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16 :-

(a) the Society elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liability and right-of-use asset to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020 ;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures (continued)

(ii) Lessee accounting and transitional impact (continued)

(b) when measuring the lease liability at the date of initial application of HKFRS 16, the Society applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment) ; and

(c) when measuring the right-of-use asset at the date of initial application of HKFRS 16, the Society relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 30 June 2019 as disclosed in note 21 to the opening balance for lease liabilities recognised as at 1 July 2019 :-

	HK$
Operating lease commitments at 30 June 2019	3,483,000
Less: total future interest expenses	(185,903)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019	3,297,097

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Society's statement of financial position :-

	Carrying amount at 30 June 2019 HK$	Capitalisation of operating lease contracts HK$	Carrying amount at 1 July 2019 HK$
Property, plant and equipment	71,401	3,235,856	3,307,257
Total non-current assets	**15,099,720**	**3,235,856**	**18,335,576**
Lease liabilities (current)	-	(1,418,651)	(1,418,651)
Total current liabilities	**2,414,029**	**(1,418,651)**	**995,378**
Net current assets	**5,239,131**	**(1,418,651)**	**3,820,480**
Total assets less current liabilities	**5,239,131**	**1,817,205**	**7,056,336**
Lease liabilities (non-current)	-	(1,878,446)	(1,878,446)
Total non-current liabilities	-	**(1,878,446)**	**(1,878,446)**
Net assets	**20,338,851**	**(61,241)**	**20,277,610**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures (continued)

(iii) Impact on the financial result and cash flows

After the initial recognition of right-of-use asset and lease liability, the Society as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Society's statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Society as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Society's financial result and cash flows for the year ended 30 June 2020, by adjusting the amounts reported under HKFRS 16 in these financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under HKAS 17	Hypothetical amounts for 2020 as if under HKAS 17	Compared to amounts reported for 2019 under HKAS 17
	(A)	(B)	(C)	(D=A+B+C)	
	HK$	HK$	HK$	HK$	HK$
Impact on financial result					
Surplus from operations	**3,332,686**	**1,438,158**	**(1,548,000)**	**3,222,844**	**2,736,695**
Finance costs	(129,349)	129,349	-	-	-
Surplus before tax	**3,203,337**	**1,567,507**	**(1,548,000)**	**3,222,844**	**2,736,695**
Surplus for the year	**2,327,101**	**1,567,507**	**(1,548,000)**	**2,346,608**	**2,736,695**
	=======	======	======	=======	======

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies and disclosures (continued)

(iii) Impact on the financial result and cash flows (continued)

	2020			2019
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17	Hypothetical amounts for 2020 as if under HKAS 17	Compared to amounts reported for 2019 under HKAS 17
	(A)	(B)	(C=A+B)	
	HK$	HK$	HK$	HK$
Impact on cash flow statement				
Operating surplus before changes in working capital	4,246,048	(1,548,000)	2,698,048	2,318,029
Net cash generated from operating activities	**1,828,039**	**(1,548,000)**	**280,039**	**3,014,854**
Capital element of lease rentals paid	(1,418,651)	1,418,651	-	-
Interest element of lease rentals paid	(129,349)	129,349	-	-
Net cash used in financing activities	**(1,548,000)**	**1,548,000**	-	-

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

(i) Impairment loss on financial assets

The Society recognises loss allowances for expected credit loss ("ECL") on other receivables measured at amortised cost. 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 Society is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Society in accordance with the contract and all the cash flows that the Society expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Society 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 Society's historical experience and informed credit assessment and including forward-looking information.

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

The Society considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

(ii) Impairment loss on non-financial assets

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

- property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts); and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

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).

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).

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

(i) Financial assets

Investments other than equity investments

Non-equity investments held by the Society 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.

- 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 profit or loss.

- 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 profit or loss 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 profit or loss.

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 Society makes an 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 retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(ii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

(iii) Derecognition

The Society derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Society issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(h) Recognition of income

Revenue is recognised when it is probable that the economic benefits will flow to the Society and when the revenue can be measured reliably on the following bases :-

(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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions and contingencies

A provision is 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 effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) 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.

For the purpose of statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are also included as a component of cash and cash equivalents.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Related parties (continued)

(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).

(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.

Policy applicable from 1 July 2019

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.

Policy applicable prior to 1 July 2019

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to profit or loss on the straight-line basis over the lease terms.

3. MEMBERSHIP FEES

Membership fees represent the total membership annual fee income during the year, as follows :-

	2020 HK$	2019 HK$
Members' annual fee income	6,181,694	6,203,964
New members' joining fee income	-	2,500
Uncollected fees recovered	-	3,000
Less : Uncollected fees	-	(72,000)
	6,181,694	6,137,464

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.

	2020 HK$	2019 HK$
Sales of study materials and programme income	430,250	429,652
Less : Cost of study materials and programme expenses	(134,515)	(11,246)
	295,735	418,406

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.

	2020 HK$	2019 HK$
Programme income	134,241	298,648
Less : Programme expenses	(82,018)	(130,660)
	52,223	167,988

6. SURPLUS/(DEFICIT) FROM INVESTMENT RESEARCH CHALLENGE

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

	2020 HK$	2019 HK$
Competition income	92,720	94,280
Less : Competition expenses	(88,847)	(115,000)
	3,873	(20,720)

7. OTHER REVENUE

	2020 HK$	2019 HK$
Investment income, net (note 11)	505,995	408,593
Interest income from bank deposits (note 12)	73,351	27,014
Sundry income	16,213	21,347
Outstanding Society Award Funding	-	12,770
Compensation income from CFA Institute	117,078	23,556
Gain on disposal of financial assets	-	34,462
Exchange gain	-	24,043
	712,637	551,785

8. ADMINISTRATIVE EXPENSES

	2020 HK$	2019 HK$
Depreciation on owned assets	54,550	51,403
Depreciation on right-of-use assets	1,438,158	-
Electricity	10,723	14,106
Personnel costs (note 13)	4,133,212	4,608,457
Rent, rates and building management fee	298,694	1,783,281
Telephone and internet	174,227	132,924
Administrative expenses	42,165	29,715
	6,151,729	6,619,886

9. OTHER OPERATING EXPENSES

	2020 HK$	2019 HK$
Advertising and promotion for public awareness	109,704	92,829
Audit fee	39,900	34,500
Bank charges	11,893	14,280
Business registration fee	750	2,896
Best report research competition	32,905	11,088
Deficit from social functions (note 14)	73,454	130,512
Deficit from investment research challenge (note 6)	-	20,720
Exchange loss	15,979	-
Insurance	68,436	46,640
Professional fees	12,325	44,981
Local travelling	2,754	1,920
Meeting expenses	34,716	46,432
Membership expenses	4,311	4,264
Commission for online receipt	11,546	18,313
Overseas travelling	6,079	60,378
Office cleaning	118,323	122,903
Postages, printing and stationery	102,859	89,957
Provision for office reinstatement	60,000	60,000
Repairs and maintenance	19,535	29,239
Sundry expenses	17,672	14,589
	743,141	846,441

10. FINANCE COSTS

	2020 HK$	2019 HK$
Interest on lease liability	129,349	-

11. INVESTMENT INCOME, NET

	2020 HK$	2019 HK$
Interest received from debt securities	318,308	241,021
Dividend received from listed equity securities	187,687	167,572
	505,995	408,593

12. INTEREST INCOME FROM BANK DEPOSITS

	2020 HK$	2019 HK$
Bank interest income	868	1,962
Interest received from fixed deposits	72,483	25,052
	73,351	27,014

13. PERSONNEL COSTS

	2020 HK$	2019 HK$
Salaries	3,980,070	4,447,778
Mandatory provident fund contributions	136,420	126,006
Staff welfare and allowances	16,722	34,673
	4,133,212	4,608,457

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.

	2020 HK$	2019 HK$
Function income	111,235	193,372
Less : Function expenses	(184,689)	(321,617)
Uncollected fees	-	(2,267)
	(73,454)	(130,512)

15. BENEFITS AND INTERESTS OF DIRECTORS

No benefits and interests of directors required to be disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance 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 :-

	2020 HK$	2019 HK$
Current tax :-		
Provision for Hong Kong Profits tax for preceding years	572,405	-
Provision for Hong Kong Profits tax for 2020/21 :		
- the first HK$2,000,000 at 8.25%	165,000	-
- the remainder at 16.5%	158,831	-
Actual tax expenses for the year	896,236	-

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

	2020 HK$	2019 HK$
Surplus before tax	3,203,337	-
Provision for Hong Kong Profits tax at the effective tax rate	350,143	-
Tax effect of :-		
- non-deductible expenses	8,691	-
- non-taxable income	(35,194)	-
- change in deferred tax not recognised	4,211	
- others	(4,020)	
Under-provision in respect of previous years	572,405	-
Actual tax expenses for the year	896,236	-

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

	2020 HK$	2019 HK$
Estimated liability to Hong Kong profits tax :		
- for preceding years	572,405	-
- for the year 2020/21	323,831	-
	896,236	-

17. PROPERTY, PLANT AND EQUIPMENT

	Property leased for own use	Leasehold improvements HK$	Furniture and equipment HK$	Total HK$
Cost :-				
At 1 July 2018	-	846,023	604,886	1,450,909
Additions	-	-	68,961	68,961
At 30 June 2019	-	846,023	673,847	1,519,870
Impact on initial application of HKFRS 16	3,235,856	-	-	3,235,856
Additions	-	-	18,407	18,407
At 30 June 2020	3,235,856	846,023	692,254	4,774,133
Accumulated depreciation :-				
At 1 July 2018	-	846,023	551,043	1,397,066
Charge for the year	-	-	51,403	51,403
At 30 June 2019	-	846,023	602,446	1,448,469
Charge for the year	1,438,158	-	54,550	1,492,708
At 30 June 2020	1,438,158	846,023	656,996	2,941,177
Net book value :-				
At 30 June 2020	1,797,698	-	35,258	1,832,956
At 30 June 2019	-	-	71,401	71,401

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$3,235,856 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 :-

	Note	2020 HK$	2019 HK$
Depreciation on property leased for own use		1,438,158	-
Interest on lease liability	10	129,349	-
Expense relating to short-term leases and other leases with remaining lease term ending on or before 30 June 2020		-	-
Total minimum lease payments for leases previously classified as operating leases under HKAS 17		-	1,500,000

18. FINANCIAL ASSETS AT AMORTISED COST

	2020 HK$	2019 HK$
Debt securities, at amortised cost	9,483,196	8,597,093
Market value	9,680,151	8,763,066

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$	2019 HK$
Equity securities listed in Hong Kong, at fair value through other comprehensive income	5,609,010	6,431,226

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 and at the date of transition to HKFRS 16 :-

	30 June 2020		1 July 2019		30 June 2019	
	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$	Present value of the minimum lease payments HK$	Total minimum lease payments HK$
Within one year	1,493,089	1,548,000	1,418,651	1,548,000	-	-
After 1 year but within 2 years	385,357	387,000	1,878,446	1,935,000	-	-
	1,878,446	1,935,000	3,297,097	3,483,000	-	-
Less : Total future interest expenses		(56,554)		(185,903)		-
Present value of the lease liability		1,878,446		3,297,097		-

21. LEASE COMMITMENTS

At 30 June 2019, the total future minimum lease payments under a non-cancellable operating lease of property are payable as follows :-

	2019 HK$
Not later than one year	1,548,000
Later than one year	1,935,000
	3,483,000

The Society is the lessee in respect of properties which were previously classified as operating leases under HKAS 17. The Society has initially applied HKFRS 16 using the modified retrospective approach as from 1 July 2019. Under this approach, the Society adjusted the opening balance at 1 July 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 July 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(n), and the details regarding the Society's lease payments are disclosed in note 20.

22. OTHER CASH FLOW INFORMATION

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

	Lease liability HK$
At 1 July 2018 and at 30 June 2019	-
Impact on initial application of HKFRS 16 (note 2(c))	3,297,097
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)
	(1,548,000)
Other changes :-	
Interest on lease liability	129,349
At 30 June 2020	1,878,446

22. OTHER CASH FLOW INFORMATION (continued)

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

	2020 HK$	2019 HK$
Within operating cash flows	-	1,500,000
Within investing cash flows	-	-
Within financing cash flows	1,548,000	-
	1,548,000	1,500,000

These amounts relate to the lease rentals paid.

23. 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.

24. FINANCIAL RISK MANAGEMENT

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

	2020 HK$	2019 HK$
Financial assets at amortised cost		
- debt securities	9,483,196	8,597,093
Financial assets at fair value through other comprehensive income		
- equity securities listed in Hong Kong	5,609,010	6,431,226
Loans and receivables :-		
Accounts and other receivables	995,772	198,607
Deposits and prepayments	588,308	537,618
Fixed deposits	3,600,000	3,000,000
Cash and bank balances	3,271,810	3,916,935
	8,455,890	7,653,160
	23,548,096	22,681,479

24. FINANCIAL RISK MANAGEMENT (continued)

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

	2020 HK$	2019 HK$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	413,327	725,527
Receipts in advance	430,548	1,688,502
Lease liability	1,878,446	-
	2,722,321	2,414,029

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 2020 and 30 June 2019. 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.

(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 2020 and 30 June 2019 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 :-

	2020 HK$	2019 HK$
Past due up to		
- 30 days	995,472	146,500
- 31 to 60 days	-	52,107
- 61 to 120 days	-	-
- Over 120 days	300	-
	995,772	198,607

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

24. FINANCIAL RISK MANAGEMENT (continued)

(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

	Not later than 1 month HK$	Later than 1 month but not later than 3 months HK$	Later than 3 months but not later than 1 year HK$	Later than 1 year but not later than 5 years HK$	Carrying amounts HK$
2020					
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
	598,149	284,848	1,122,217	717,107	2,722,321
2019					
Accounts payable and accruals	40,241	413,536	-	271,750	725,527
Receipts in advance	1,688,502	-	-	-	1,688,502
Lease liability	-	-	-	-	-
	1,728,743	413,536	-	271,750	2,414,029

(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$
2020	
Debt securities	9,483,196
Accounts receivables	957,060
Cash and bank balances	1,984,337
	12,424,593
2019	
Debt securities	8,597,093
Accounts receivables	25,867
Cash and bank balances	2,129,799
	10,752,759

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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 (2019: 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.

(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

	2020 HK$	2019 HK$
Equity securities listed in Hong Kong	5,609,010	6,431,226

Sensitivity analysis

At 30 June 2020, 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$560,901 (2019 : HK$643,123).

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 2019.

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.

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
2020				
Financial assets at fair value through other comprehensive income	5,609,010	-	-	5,609,010
2019				
Financial assets at fair value through other comprehensive income	6,431,226	-	-	6,431,226

During the year, there were no transfers between instruments in Level 1 and Level 2.

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 2019 and 30 June 2020. 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.