

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

2024

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 2024**

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

The directors submit herewith their annual report together with the audited financial statements for the year ended 30 June 2024.

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 2024 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 were :-

President	Alvin Man HO, CFA	
Secretary	Janet Tze Yan LI, CFA	
Treasurer	Felicia Chuen Wai WONG, CFA	
Members	Richard Kan Chong MAK, CFA	
	Ashley Pui Wun KHOO, CFA	(retired on 11 January 2024)
	Adam Tsz Yin WONG, CFA	
	Alfred LAU, CFA	(retired on 11 January 2024)
	David Tze Lok CHING, CFA	
	Erwin Ralph SANFT, CFA	
	Wisely Chi Sheng NGAI, CFA	(appointed on 11 January 2024)
	Wallace Wing Hang CHEUNG, CFA	(appointed on 11 January 2024)
	Willis Ching Wa CHAN, CFA	(appointed on 11 January 2024 and resigned on 27 November 2024)

MEMBERS OF THE BOARD OF DIRECTORS (continued)

Willis Ching Wa CHAN resigned as a director of the Society due to his personal reasons. He has confirmed that he has 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, 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, David Tse Lok CHING, Alvin Man HO, Adam Tsz Yin WONG and Erwin Ralph SANFT who retired and re-elected at the annual general meeting held on 12 January 2023 shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. Janet Tze Yan LI, Richard Kan Chong MAK and Felicia Chuen Wai WONG who retired and re-elected and Wallace Wing Hang CHEUNG and Wisely Chi Sheng NGAI who newly elected at the annual general meeting held on 11 January 2024 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

Alvin Man HO, CFA
President
Hong Kong, 11 December 2024

**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 2024, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 30 June 2024, 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 ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 11 December 2024

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 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
Membership fees	3	5,342,331	5,696,178
Surplus from candidate education	4	1,277,334	995,212
Surplus from continuing education	5	-	33,245
Surplus from investment research challenge	6	-	37,968
CFA Institute Society Operational Funding subvention		2,550,000	2,386,629
		<u>9,169,665</u>	<u>9,149,232</u>
Other income and net loss	9	(76,320)	(486,143)
Administrative expenses	10	(8,085,771)	(7,755,103)
Other operating expenses	11	(1,394,727)	(1,239,282)
Deficit from operations		<u>(387,153)</u>	<u>(331,296)</u>
Finance costs	12	(52,828)	(123,256)
Deficit before tax		<u>(439,981)</u>	<u>(454,552)</u>
Income tax expense	17	(8,748)	-
Deficit for the year		<u>(448,729)</u>	<u>(454,552)</u>
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		<u><u>(448,729)</u></u>	<u><u>(454,552)</u></u>

The notes on pages 12 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> HK\$	<u>2023</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	18	821,507	2,566,366
Financial assets at amortised cost	19	1,575,391	3,183,319
Financial assets at fair value through profit or loss	20	11,520,699	6,960,399
		<u>13,917,597</u>	<u>12,710,084</u>
Current assets			
Deposits and prepayments		555,752	498,023
Cash and bank balances		11,586,812	13,842,474
Tax recoverable	17(c)	-	48,619
		<u>12,142,564</u>	<u>14,389,116</u>
Current liabilities			
Accounts payable and accruals		1,119,184	1,274,477
Receipts in advance		2,693,597	1,600,734
Deferred income		95,219	103,875
Lease liability	21	385,396	1,432,753
Tax payable	17(c)	8,748	-
		<u>4,302,144</u>	<u>4,411,839</u>
Net current assets		<u>7,840,420</u>	<u>9,977,277</u>
Total assets less current liabilities		<u>21,758,017</u>	<u>22,687,361</u>
Non-current liabilities			
Lease liability	21	-	385,396
Other payables		270,000	270,000
Deferred income		-	95,219
		<u>270,000</u>	<u>750,615</u>
NET ASSETS		<u>21,488,017</u>	<u>21,936,746</u>
MEMBERS' EQUITY			
Members' general fund		<u>21,488,017</u>	<u>21,936,746</u>

Approved and authorised for issue by the board of directors on 11 December 2024

Alvin Man HO, CFA
President

Felicia Chuen Wai WONG, CFA
Treasurer

The notes on pages 12 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 2024
(Expressed in Hong Kong dollars)

	Members' <u>general fund</u> HK\$
Balance at 1 July 2022	22,391,298
Total comprehensive expense for the year	(454,552)
Balance at 30 June 2023	<u>21,936,746</u>
Total comprehensive expense for the year	(448,729)
Balance at 30 June 2024	<u><u>21,488,017</u></u>

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2024</u> <u>HK\$</u>	<u>2023</u> <u>HK\$</u>
Cash flows from operating activities			
Deficit before tax		(439,981)	(454,552)
Adjustments for :-			
Net unrealized loss on financial assets at fair value through profit or loss		196,576	1,323,393
Loss on disposal of financial assets at fair value through profit or loss, net		487,005	-
Investment income	13	(441,588)	(423,052)
Interest income	14	(61,707)	(153,796)
Depreciation			
- owned assets	18	461,736	357,671
- property leased for own use	18	1,315,123	1,315,123
Finance costs	12	52,828	123,256
Operating surplus before changes in working capital		<u>1,569,992</u>	<u>2,088,043</u>
Decrease in accounts and other receivables		-	141,892
(Increase)/decrease in deposits and prepayments		(57,729)	188,760
Decrease in accounts payable and accruals		(155,293)	(671,696)
Increase in receipts in advance		1,092,863	1,587,601
(Decrease)/increase in deferred income		(103,875)	199,094
Cash generated from operations		<u>2,345,958</u>	<u>3,533,694</u>
Hong Kong profits tax refund/(paid), net		48,619	(38,619)
Net cash generated from operating activities		<u>2,394,577</u>	<u>3,495,075</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	18	(32,000)	(411,975)
Proceeds from redemption of financial assets at amortised cost		1,560,000	3,900,000
Proceeds from disposal of financial assets at fair value through profit or loss		5,269,978	-
Acquisition of financial assets at fair value through profit or loss		(10,513,859)	-
Dividend received		362,765	212,759
Coupon interest received		126,751	234,274
Bank interest received	14	61,707	153,796
Net cash (used in)/generated from investing activities		<u>(3,164,658)</u>	<u>4,088,854</u>
Cash flows from financing activities			
Capital element of lease rentals paid	22(a)	(1,432,753)	(1,405,394)
Interest element of lease rentals paid	22(a)	(52,828)	(123,256)
Net cash used in financing activities		<u>(1,485,581)</u>	<u>(1,528,650)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,255,662)</u>	<u>6,055,279</u>
- Page 11		<u>(2,255,662)</u>	<u>6,055,279</u>

The notes on pages 12 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 2024
(Expressed in Hong Kong dollars) (continued)

	<u>2024</u> HK\$	<u>2023</u> HK\$
Net (decrease)/increase in cash and cash equivalents - Page 10	(2,255,662)	6,055,279
Cash and cash equivalents at the beginning of the year	13,842,474	7,787,195
Cash and cash equivalents at the end of the year	<u>11,586,812</u>	<u>13,842,474</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>11,586,812</u>	<u>13,842,474</u>

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024
(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), HKSFSA (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 2024 was 6,011 (2023 : 6,378).

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

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

New and amended HKFRSs

The HKICPA has issued certain amendments to HKFRSs that are first effective or available and early adoption 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 amendments to HKFRSs that is not yet effective for the current accounting period (see note 27).

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (continued)

The Society ceased of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance. However, the directors consider the change in accounting policy do not have any impact on the financial position of the Society.

(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.

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.

2. MATERIAL ACCOUNTING POLICIES (continued)

(e) Translation of foreign currencies

(a) Functional currency and presentation currency

Items included in the financial statements of each of the Society's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Society's functional currency is Hong Kong dollars (HK\$). The financial statements are presented in Hong Kong dollars, which is the Society's presentation currency.

(b) Transactions and balances

Translations in foreign currencies are translated into the respective functional currencies of Society at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the reporting date into functional currency. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Society recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost including accounts and other receivables (including contract assets) and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and
- finance lease receivables: discount rate used in the measurement of the finance lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Society is exposed to credit risk.

The ECLs are measured on either of the following bases:

- 12 months ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date; and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the financial assets to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Society considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Society’s historical experience and informed credit assessment that includes 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

The Society considers a financial asset to be in default when:

- the debtor 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
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Society recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Society assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset become long past due or when the Society otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment loss on non-financial assets

At each reporting date, the Society reviews the carrying amounts of its non-financial assets, including property, plant and equipment and right-of-use assets, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

2. MATERIAL ACCOUNTING POLICIES (continued)

(f) Credit losses and impairment of assets (continued)

(ii) Impairment loss on non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

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

(g) 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.

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 ; and
- (v) Government grants that compensate the Society for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2. MATERIAL ACCOUNTING POLICIES (continued)

(h) Investments in debt and equity securities

Investments in debt and equity securities are recognised / derecognised on the date the Society 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 Society determines fair value of financial instruments, see note 25. These investments are subsequently accounted for as follows, depending on their classification.

(i) 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 (see note 2(g)(iii)).
- 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

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

(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 Society 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.

(i) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Society is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and

2. MATERIAL ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Society recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Society. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Deferred tax assets and liabilities are offset only if certain criteria are met.

(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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2. MATERIAL ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. 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 for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECLs.

(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 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.
- (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 and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

2. MATERIAL ACCOUNTING POLICIES (continued)

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligations

The Society's definite benefit plan is the LSP under the Hong Kong Employment Ordinance.

The Society's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Society's MPF contributions that been vested with employees, which are deemed to be contributions from the relevant employees.

The defined benefit obligation is calculated by a using the projected unite credit method. Remeasurements arising from defined benefit plans are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(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.

2. MATERIAL ACCOUNTING POLICIES (continued)**(n) Leased assets (continued)**

As a lessee

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.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to other financial assets carried at amortised cost which are held for the collection of contractual cash flows representing solely payments of principal and interest (see notes 2(g)(iii) and 2(f)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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 and lease liability separately in the statement of financial position. 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.

(o) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Society will comply with the conditions attaching to them. Grants that compensate the Society for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Society for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

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 commission and net proceeds from 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>2024</u> HK\$	<u>2023</u> HK\$
Income from study materials and programme income	1,292,083	999,495
Less : Cost of study materials and programme expenses	(14,749)	(4,283)
	<u>1,277,334</u>	<u>995,212</u>
	=====	=====

5. (DEFICIT)/SURPLUS FROM CONTINUING EDUCATION

(Deficit)/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>2024</u> HK\$	<u>2023</u> HK\$
Programme income	54,323	35,938
Less : Programme expenses	(223,624)	(2,693)
	<u>(169,301)</u>	<u>33,245</u>
	=====	=====

6. (DEFICIT)/SURPLUS FROM INVESTMENT RESEARCH CHALLENGE

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Sponsorship income	61,951	109,927
Less : Competition expenses	(134,791)	(71,959)
	<u>(72,840)</u>	<u>37,968</u>
	=====	=====

7. 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>2024</u> HK\$	<u>2023</u> HK\$
Function income	117,124	33,780
Less : Function expenses	(280,908)	(237,625)
	<u>(163,784)</u>	<u>(203,845)</u>
	=====	=====

8. DEFICIT FROM AWARDS NIGHT

Deficit from Awards Night represents the income received and receivable from the provision of event, less the event expenses incurred during the year.

	<u>2024</u> HK\$	<u>2023</u> HK\$
Ticket income	77,400	105,930
Less : Event expenses	(144,118)	(273,606)
	<u>(66,718)</u>	<u>(167,676)</u>
	=====	=====

9. OTHER INCOME AND NET LOSS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Exchange (loss)/gain, net	(21,544)	26,237
Government grant from Employment Support Scheme	-	75,600
Government grant from Technology Voucher Programme	103,875	112,531
Investment income (note 13)	441,588	423,052
Interest income from bank deposits (note 14)	61,707	153,796
Loss on disposal of financial assets at fair value through profit or loss, net	(487,005)	-
Sundry income	21,635	46,034
Net unrealised loss on financial assets at fair value through profit or loss	(196,576)	(1,323,393)
	<u>(76,320)</u>	<u>(486,143)</u>
	=====	=====

10. ADMINISTRATIVE EXPENSES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Depreciation on owned assets	461,736	357,671
Depreciation on right-of-use assets	1,315,123	1,315,123
Electricity	55,090	23,502
Personnel costs (note 15)	5,824,403	5,574,904
Government rent, rates and building management fee	305,986	332,294
Telephone and internet	123,433	151,609
	<u>8,085,771</u>	<u>7,755,103</u>

11. OTHER OPERATING EXPENSES

	<u>2024</u> HK\$	<u>2023</u> HK\$
Advertising and promotion for public awareness	304,113	349,093
Accounting fee	36,000	9,000
Audit fee	33,810	33,750
Bank charges	23,321	13,791
Business registration fee	3,042	750
Commission for online receipt	-	11,638
Computer software expenses	195,107	147,968
Deficit from continuing education (note 5)	169,301	-
Deficit from investment research challenge (note 6)	72,840	-
Deficit from social functions (note 7)	163,784	203,845
Deficit from Awards Night (note 8)	66,718	167,676
Insurance	24,144	25,994
Meeting expenses	76,672	59,081
Membership expenses	83,500	65,500
Office cleaning	2,500	32,797
Office supplies	12,493	-
Postages, printing and stationery	35,734	54,880
Professional fees	14,925	19,275
Repairs and maintenance	19,600	8,408
Recruitment cost	4,800	6,100
Sundry expenses	38,983	29,024
Travelling	13,340	712
	<u>1,394,727</u>	<u>1,239,282</u>

12. FINANCE COSTS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Interest on lease liability	52,828	123,256

13. INVESTMENT INCOME

	<u>2024</u> HK\$	<u>2023</u> HK\$
Interest received from debt securities	78,823	210,293
Dividend received from listed equity securities	362,765	212,759
	<u>441,588</u>	<u>423,052</u>

14. INTEREST INCOME FROM BANK DEPOSITS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Bank interest income	61,707	28,167
Interest received from fixed deposits	-	125,629
	<u>61,707</u>	<u>153,796</u>

15. PERSONNEL COSTS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Salaries	5,504,999	5,345,534
Mandatory Provident Fund contributions	144,739	136,365
Staff welfare and allowances	15,403	13,473
Staff medical insurance	129,262	49,532
Long-Service Payment	30,000	30,000
	<u>5,824,403</u>	<u>5,574,904</u>

16. 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.

17. INCOME TAX

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Current tax :-		
Provision for Hong Kong profits tax of the estimated assessable profits for the year at 8.25%	20,579	24,419
Utilisation of unrecognised tax losses	(11,831)	(24,419)
	<u>8,748</u>	<u>-</u>
Deferred tax :-		
Origination and reversal of temporary differences	-	-
	<u>8,748</u>	<u>-</u>
Actual tax expense for the year	<u><u>8,748</u></u>	<u><u>-</u></u>

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Deficit before tax	(439,981)	(454,552)
	<u>(439,981)</u>	<u>(454,552)</u>
Provision for Hong Kong profits tax at the effective tax rate	(36,298)	(37,502)
Tax effect of :-		
- non-deductible expenses	56,395	109,180
- non-taxable income	(35,019)	(41,535)
- change in deferred tax not recognised	35,501	(5,724)
- unused tax losses utilised	(11,831)	(24,419)
	<u>8,748</u>	<u>-</u>
Actual tax expense for the year	<u><u>8,748</u></u>	<u><u>-</u></u>

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Provision for Hong Kong Profits Tax for the year	8,748	-
Provisional tax paid	-	(48,619)
	<u>8,748</u>	<u>(48,619)</u>
Tax payable/(recoverable)	<u><u>8,748</u></u>	<u><u>(48,619)</u></u>

18. PROPERTY, PLANT AND EQUIPMENT

	Property leased for own use HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-				
At 1 July 2022	3,945,369	846,023	1,682,497	6,473,889
Additions	-	-	411,975	411,975
At 30 June 2023	3,945,369	846,023	2,094,472	6,885,864
Additions	-	32,000	-	32,000
At 30 June 2024	3,945,369	878,023	2,094,472	6,917,864
Accumulated depreciation :-				
At 1 July 2022	986,342	846,023	814,339	2,646,704
Charge for the year	1,315,123	-	357,671	1,672,794
At 30 June 2023	2,301,465	846,023	1,172,010	4,319,498
Charge for the year	1,315,123	10,667	451,069	1,776,859
At 30 June 2024	3,616,588	856,690	1,623,079	6,096,357
Net book value :-				
At 30 June 2024	328,781	21,333	471,393	821,507
At 30 June 2023	1,643,904	-	922,462	2,566,366

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 :-

	Note	2024 HK\$	2023 HK\$
Depreciation on right-of-use assets		1,315,123	1,315,123
Interest on lease liability	11	52,828	123,256

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 21 and 22(b), respectively.

19. FINANCIAL ASSETS AT AMORTISED COST

	<u>2024</u> HK\$	<u>2023</u> HK\$
Debt securities, at amortised cost	1,575,391	3,183,319
Market value	1,530,048	3,026,244

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2024</u> HK\$	<u>2023</u> HK\$
Exchange-trade funds listed in Hong Kong	2,530,160	5,342,166
Exchange-trade funds listed in United States	8,990,539	-
Equity securities listed in Hong Kong	-	1,618,233
	<u>11,520,699</u>	<u>6,960,399</u>

21. 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>2024</u>		<u>2023</u>	
	Present value of the minimum lease <u>payments</u> HK\$	Total minimum lease payments HK\$	Present value of the minimum lease <u>payments</u> HK\$	Total minimum lease payments HK\$
Within one year	385,396	387,000	1,432,753	1,485,581
After one year but within two years	-	-	385,396	387,000
	<u>385,396</u>	<u>387,000</u>	<u>1,818,149</u>	<u>1,872,581</u>
Less : Total future interest expenses		(1,604)		(54,432)
Present value of the lease liability		<u>385,396</u>		<u>1,818,149</u>

22. OTHER CASH FLOW INFORMATION

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

	<u>Lease liability</u> HK\$
At 1 July 2022	3,223,543

Changes from cash flows :-	
Capital element of lease rentals paid	(1,405,394)
Interest element of lease rentals paid	(123,256)
Other changes :-	
Interest on lease liability	123,256

	(1,405,394)

At 30 June 2023	1,818,149

Changes from cash flows :-	
Capital element of lease rentals paid	(1,432,753)
Interest element of lease rentals paid	(52,828)
Other changes :-	
Interest on lease liability	52,828

	(1,432,753)

At 30 June 2024	385,396
	=====

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Within operating cash flows	-	-
Within investing cash flows	-	-
Within financing cash flows	1,485,581	1,528,650
	-----	-----
	1,485,581	1,528,650
	=====	=====

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 :-

	<u>2024</u> HK\$	<u>2023</u> HK\$
Financial assets at amortised cost		
- debt securities	1,575,391	3,183,319
	-----	-----
Financial assets at fair value through profit or loss		
- exchange-trade funds listed in Hong Kong	2,530,160	5,342,166
- exchange-trade funds listed in United States	8,990,539	-
- equity securities listed in Hong Kong	-	1,618,233
	-----	-----
	11,520,699	6,960,399
	-----	-----
Loans and receivables		
- deposits and prepayments	555,752	498,023
- cash and bank balances	11,586,812	13,842,474
- tax recoverable	-	48,619
	-----	-----
	12,142,564	14,389,116
	-----	-----
	25,238,654	24,532,834
	=====	=====

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

	<u>2024</u> HK\$	<u>2023</u> HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	1,389,184	1,544,477
Receipts in advance	2,693,597	1,600,734
Lease liability	385,396	1,818,149
Deferred income	95,219	199,094
	-----	-----
	4,563,396	5,162,454
	=====	=====

24. FINANCIAL RISK MANAGEMENT (continued)

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 2024 and 30 June 2023. The debt securities stated at amortised cost and equity securities listed in Hong Kong stated at fair value are set out in notes 19 and 20 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 2024 and 30 June 2023 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

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

	Not later than <u>1 month</u> HK\$	Later than 1 month but not later than <u>3 months</u> HK\$	Later than 3 months but not later than <u>1 year</u> HK\$	Later than 1 year but not later than <u>5 years</u> HK\$	Carrying amounts HK\$
<u>2024</u>					
Accounts payable and accruals	22,672	1,096,512	-	270,000	1,389,184
Receipts in advance	2,693,597	-	-	-	2,693,597
Lease liability	127,932	257,464	-	-	385,396
	<u>2,844,201</u>	<u>1,353,976</u>	<u>-</u>	<u>270,000</u>	<u>4,468,177</u>
<u>2023</u>					
Accounts payable and accruals	-	1,274,477	-	270,000	1,544,477
Receipts in advance	1,600,734	-	-	-	1,600,734
Lease liability	121,962	245,450	1,065,341	385,396	1,818,149
	<u>1,722,696</u>	<u>1,519,927</u>	<u>1,065,341</u>	<u>655,396</u>	<u>4,963,360</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>2024</u>	
Debt securities	1,575,391
Exchange-trade funds	8,990,539
Cash and bank balances	10,856,795
	<u>21,422,725</u>
	=====
<u>2023</u>	
Debt securities	3,183,319
Cash and bank balances	13,214,551
	<u>16,397,870</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 debt securities.

It 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.

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Equity price risk

Summary quantitative data

	<u>2024</u> HK\$	<u>2023</u> HK\$
Equity securities listed in Hong Kong	11,520,699	6,960,399

Sensitivity analysis

At 30 June 2024, 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\$1,152,070 (2023 : HK\$696,040).

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 2023.

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.

	<u>Level 1</u> HK\$	<u>Level 2</u> HK\$	<u>Level 3</u> HK\$	<u>Total</u> HK\$
<u>2024</u>				
Financial assets at fair value through profit or loss	11,520,699	-	-	11,520,699
<u>2023</u>				
Financial assets at fair value through profit or loss	6,960,399	-	-	6,960,399

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 2023 and 30 June 2024. 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

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and amended standards, which are not yet effective for the year ended 30 June 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Society.

	Effective for accounting period beginning on or after
HKAS 21 and HKFRS 1, Lack of Exchangeability (amendments)	1 January 2025
HKFRS 9 and HKFRS 7, Amendments to the Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 18, Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
Hong Kong Interpretation 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	Effective date to be determined

The Society is in the process of making an assessment of what the impact of these developments is expected to be in period of initial application. So far it has concluded that the adoption of them is unlikely to have any significant impact on the Society's results of operations and financial position.

28. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.