

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

2018

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 2018**

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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 2018.

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 2018 and the financial position of the Society at that date are set out in the financial statements on pages 7 to 29.

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	
Vice-president	Derek Wai Man MOK, CFA Joseph Ho Lim CHAN, CFA Franki Ka Fai CHUNG, CFA	(resigned on 31 July 2017)
Secretary	Claudius Sze Wai TSANG, CFA	
Treasurer	Yin Toa LEE, CFA	

MEMBERS OF THE BOARD OF DIRECTORS (continued)

Members	Alice Yee Lam WONG, CFA	(appointed on 31 January 2018)
	Alvin Man HO, CFA	(appointed on 24 September 2018)
	Ashley Pui Wun KHOO, CFA	
	Charles Kin Wai CHUI, CFA	(appointed on 31 January 2018)
	Ernest Yiu Kit WONG, CFA	(retired on 31 January 2018)
	Felicia Chuen Wai WONG, CFA	
	Frederick Sui Cheong TSANG, CFA	(retired on 31 January 2018)
	Ho Tak LEE, CFA	
	Jenny Ching Yi LOR, CIPM	
	Karl Hak Kau LUNG, CFA	(retired on 31 January 2018)
	Richard Kan Chong MAK, CFA	(appointed on 18 September 2017)
	Terence Ching Wan TSUI, CFA	(retired on 31 January 2018)
	Vincent Wing Chung NG, CFA	

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 and be eligible for re-election subject to the qualifications required under article 83. Accordingly, Mr. Peter Anthony WATSON, Mr. Derek Wai Man MOK, Mr. Claudius Sze Wai TSANG, Mr. Ho Tak LEE and Mr. Vincent Wing Chung NG shall retire from office at the forthcoming annual general meeting of the Society. In accordance with article 86, Mr. Alvin Man HO shall retire from office at the forthcoming annual general meeting of the Society.

In accordance with article 80 of the Society's articles of association, a retiring Co-Opted Director shall retire from office after the term not exceeding two years. Accordingly, Ms. Jenny Ching Yi LOR shall retire from office at the forthcoming annual general meeting.

The Nomination Committee will go through the nomination process for both the Executive Directors and Co-Opted Director. 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 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.

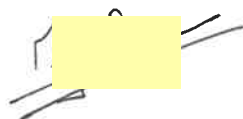
BUSINESS REVIEW

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.

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



Peter Anthony WATSON, CFA
President
Hong Kong, 06 NOV 2018

**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 29, which comprise the statement of financial position as at 30 June 2018, 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 2018, and of the financial performance and cash flows of the Society for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Responsibilities of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chan, Li, Law CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 06 NOV 2018

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 2018
(Expressed in Hong Kong dollars)

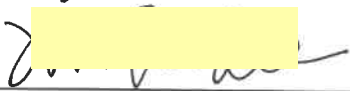
	<u>Note</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
INCOME			
Membership fees	3	5,381,990	5,257,350
Surplus from candidate education	4	171,706	158,548
Surplus from continuing education	5	139,175	290,647
Other revenue	6	2,429,087	2,452,862
		<u>8,121,958</u>	<u>8,159,407</u>
Administrative expenses	9	(5,884,294)	(5,923,912)
Other operating expenses	11	(1,577,903)	(1,716,028)
SURPLUS FOR THE YEAR		<u>659,761</u>	<u>519,467</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value changes on available-for-sale financial assets		516,152	884,338
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,175,913</u></u>	<u><u>1,403,805</u></u>

The notes on pages 11 to 29 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	17	53,843	370,801
Held-to-maturity financial assets	18	4,755,465	4,891,965
Available-for-sale financial assets	19	5,318,549	4,802,397
		<u>10,127,857</u>	<u>10,065,163</u>
Current assets			
Accounts and other receivables		148,072	198,360
Deposits and prepayments		538,904	729,860
Fixed deposits		2,200,000	2,200,000
Cash and bank balances		6,123,101	4,640,305
		<u>9,010,077</u>	<u>7,768,525</u>
Current liabilities			
Accounts payable and accruals		349,473	285,812
Receipts in advance		1,318,482	1,253,810
		<u>1,667,955</u>	<u>1,539,622</u>
Net current assets		<u>7,342,122</u>	<u>6,228,903</u>
NET ASSETS		<u>17,469,979</u>	<u>16,294,066</u>
MEMBERS' EQUITY			
Members' general funds		15,252,842	14,593,081
Investment revaluation reserve		2,217,137	1,700,985
		<u>17,469,979</u>	<u>16,294,066</u>


 Peter Anthony WATSON, CFA
 President


 Yin Toa LEE, CFA
 Treasurer

The notes on pages 11 to 29 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 2018
(Expressed in Hong Kong dollars)

	<u>Members'</u> <u>general funds</u> HK\$	Investment revaluation <u>reserve</u> HK\$	<u>Total</u> HK\$
Balance at 1 July 2016	14,073,614	816,647	14,890,261
Total comprehensive income for the year	519,467	884,338	1,403,805
Balance at 30 June 2017	<u>14,593,081</u>	<u>1,700,985</u>	<u>16,294,066</u>
Total comprehensive income for the year	659,761	516,152	1,175,913
Balance at 30 June 2018	<u><u>15,252,842</u></u>	<u><u>2,217,137</u></u>	<u><u>17,469,979</u></u>

The notes on pages 11 to 29 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
Cash flows from operating activities			
Surplus for the year		659,761	519,467
Adjustments for :-			
Investment income	7	(359,482)	(296,758)
Interest income	8	(16,466)	(23,383)
Depreciation	17	393,239	374,234
Impairment loss on held-to-maturity financial assets		136,500	122,928
Operating surplus before changes in working capital		<u>813,552</u>	<u>696,488</u>
Decrease in accounts and other receivables		50,288	7,736
Decrease/(increase) in deposits and prepayments		190,956	(257,996)
Increase in accounts payable and accruals		63,661	125,152
Increase in receipts in advance		64,672	188,140
Net cash generated from operating activities		<u>1,183,129</u>	<u>759,520</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	17	(76,281)	(8,968)
Acquisition of held-to-maturity financial assets		-	(2,140,223)
Decrease in time deposit with deposit term over three months		-	2,250,000
Investment income	7	359,482	296,758
Bank interest received	8	16,466	23,383
Net cash generated from investing activities		<u>299,667</u>	<u>420,950</u>
Increase in cash and cash equivalents		<u>1,482,796</u>	<u>1,180,470</u>
Cash and cash equivalents at the beginning of the year		4,640,305	3,459,835
Cash and cash equivalents at the end of the year		<u>6,123,101</u>	<u>4,640,305</u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u>6,123,101</u>	<u>4,640,305</u>

The notes on pages 11 to 29 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 2018
(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) and HKSFSA (香港財經分析師學會).

The maximum number of members which the Society has registered is 20,000. The number of members of the Society as at 30 June 2018 was 6,783 (2017 : 6,614).

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.

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 several amendments to HKFRSs that are first effective for the current accounting period of the Society. None of these impact on the accounting policies of the Society. The Society has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Property, plant and equipment (continued)**

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

- | | |
|---------------------------|----------------|
| - 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) Financial assets

The Society's policies for investments in debt and equity securities, are classified as follows :-

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading or are derivative financial assets are classified as financial assets at fair value through profit or loss. Any attributable transaction costs are recognised in surplus or deficit as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in surplus or deficit. The net gain or loss from fair value changes recognised in surplus or deficit does not include any dividends or interest earned on these investments.

Dated debt securities that the Society has the positive ability and intention to hold to maturity are classified as held-to-maturity financial assets. Held-to-maturity financial assets are stated in the statement of financial position at amortised cost less impairment losses if any.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses if any.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Financial assets (continued)**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the other comprehensive income and accumulated separately in investment revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in surplus or deficit. Dividend income from these investments is recognised in surplus or deficit when the Society's right to receive payments is established. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to surplus or deficit.

Investments are recognised/derecognised on the date the Society commits to purchase/sell the investments or they expire.

(f) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of an asset is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. An impairment loss is recognised in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is credited to surplus or deficit in the period in which the reversal is recognised.

(g) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment loss except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment loss.

(h) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are 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.

(j) 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.

(k) 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.

(l) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to surplus or deficit on the straight line basis over the lease terms.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) 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.

(n) 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.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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).

3. MEMBERSHIP FEES

Membership fees represent the total membership fees income, including members' annual fee income, new members' joining fee income received and receivable and the previous years' uncollected fees recovered, less uncollected fees recognised during the year, as follows :-

	<u>2018</u>	<u>2017</u>
	HK\$	HK\$
Members' annual fee income	5,133,990	4,990,350
New members' joining fee income	310,500	313,500
Uncollected fees recovered	2,500	8,000
Less : Uncollected fees	(65,000)	(54,500)
	<u>5,381,990</u>	<u>5,257,350</u>
	=====	=====

4. SURPLUS FROM CANDIDATE EDUCATION

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Sales of study materials and programme income	175,358	163,198
Less : Cost of study materials and programme expenses	(3,652)	(4,650)
	<u>171,706</u>	<u>158,548</u>

5. SURPLUS FROM CONTINUING EDUCATION

Surplus from continuing education represents the programme income received and receivable from the provision of luncheon, seminar and workshop and the previous years' uncollected fees recovered, less the programme expenses and uncollected fees recognised during the year.

	<u>2018</u> HK\$	<u>2017</u> HK\$
Programme income	398,970	597,227
Less : Programme expenses	(259,495)	(306,080)
Uncollected fees	(300)	(500)
	<u>139,175</u>	<u>290,647</u>

6. OTHER REVENUE

	<u>2018</u> HK\$	<u>2017</u> HK\$
Investment income, net (note 7)	359,482	296,758
Interest income from bank deposits (note 8)	16,466	23,383
Sundry income	1	506
CFA Institute Society Operational Funding subvention	2,046,603	1,962,285
CFA Institute Project Funding subvention	-	159,010
HL Capital Partners Limited Funding subvention	-	10,920
Exchange gain	6,535	-
	<u>2,429,087</u>	<u>2,452,862</u>

7. INVESTMENT INCOME, NET

	<u>2018</u> HK\$	<u>2017</u> HK\$
Interest received from unlisted debt securities	197,460	160,954
Dividend received from listed equity securities	162,022	135,804
	<u>359,482</u>	<u>296,758</u>

8. INTEREST INCOME FROM BANK DEPOSITS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Bank interest income	388	273
Interest received from fixed deposits	16,078	23,110
	<u>16,466</u>	<u>23,383</u>

9. ADMINISTRATIVE EXPENSES

	<u>2018</u> HK\$	<u>2017</u> HK\$
Depreciation	393,239	374,234
Electricity	14,432	15,607
Personnel costs (note 10)	3,744,080	3,854,358
Rent, rates and building management fee	1,615,107	1,570,213
Telephone and internet	117,436	109,500
	<u>5,884,294</u>	<u>5,923,912</u>

10. PERSONNEL COSTS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Salaries	3,612,225	3,719,987
Mandatory provident fund contributions	112,356	114,872
Staff welfare and allowances	19,499	19,499
	<u>3,744,080</u>	<u>3,854,358</u>

11. OTHER OPERATING EXPENSES

	<u>2018</u> HK\$	<u>2017</u> HK\$
Advertising and promotion for public awareness	110,947	350,133
Audit fee	37,000	30,000
Bank charges	13,102	11,269
Business registration fee	8,246	750
Best report research competition	6,040	187,937
Deficit from social functions (note 12)	64,892	140,186
Deficit from investment research challenge (note 13)	32,581	34,665
Deficit from 25th Anniversary event (note 14)	404,011	-
Exchange loss	-	25,494
Impairment loss on held-to-maturity financial assets	136,500	122,928
Insurance	31,850	35,311
Professional fees	142,129	296,035
Local travelling	1,111	1,077
Meeting expenses	42,777	54,031
Membership expenses	2,789	2,847
Commission for online receipt	37,776	43,291
Overseas travelling	36,381	12,279
Office cleaning	108,942	96,507
Postages, printing and stationery	206,201	128,038
Provision for office reinstatement	60,000	60,000
Repairs and maintenance	23,248	5,348
Stamp duty	3,872	-
Sundry expenses	8,558	5,095
Warehouse moving expenses	-	857
Website upgrade	58,950	71,950
	<u>1,577,903</u>	<u>1,716,028</u>

12. 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>2018</u> HK\$	<u>2017</u> HK\$
Function income	118,677	228,355
Less : Function expenses	(183,569)	(368,361)
Uncollected fees	-	(180)
	<u>(64,892)</u>	<u>(140,186)</u>

13. DEFICIT FROM INVESTMENT RESEARCH CHALLENGE

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Competition income	94,280	92,330
Less : Competition expenses	(126,861)	(126,995)
	<u>(32,581)</u>	<u>(34,665)</u>

14. DEFICIT FROM 25TH ANNIVERSARY EVENT

Deficit from 25th Anniversary event represents the income received and receivable from the event, less the event expenses incurred during the year.

	<u>2018</u> HK\$	<u>2017</u> HK\$
25th Anniversary event income	373,050	-
Less : 25th Anniversary event expenses	(777,061)	-
	<u>(404,011)</u>	<u>-</u>

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

Profits tax has not been provided for in the financial statements as the directors consider that the Society is deemed not to carry on a business and the Society's surplus for the year is not assessable to Hong Kong profits tax under Section 24(1) and 24(2) of the Inland Revenue Ordinance. In view of such, no temporary timing differences existed at the end of reporting period and therefore deferred tax has also not been provided for in the financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Furniture and equipment</u> HK\$	<u>Total</u> HK\$
Cost :-			
At 1 July 2016	846,023	519,637	1,365,660
Additions	-	8,968	8,968
	<u>846,023</u>	<u>528,605</u>	<u>1,374,628</u>
At 30 June 2017	846,023	528,605	1,374,628
Additions	-	76,281	76,281
	<u>846,023</u>	<u>604,886</u>	<u>1,450,909</u>
At 30 June 2018	846,023	604,886	1,450,909
Accumulated depreciation :-			
At 1 July 2016	282,008	347,585	629,593
Charge for the year	282,007	92,227	374,234
	<u>564,015</u>	<u>439,812</u>	<u>1,003,827</u>
At 30 June 2017	564,015	439,812	1,003,827
Charge for the year	282,008	111,231	393,239
	<u>846,023</u>	<u>551,043</u>	<u>1,397,066</u>
At 30 June 2018	846,023	551,043	1,397,066
Net book value :-			
At 30 June 2018	-	53,843	53,843
	<u>282,008</u>	<u>88,793</u>	<u>370,801</u>
At 30 June 2017	282,008	88,793	370,801

18. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Unlisted debt securities, at amortised cost	4,755,465	4,891,965
Market value	4,780,581	4,947,657

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Equity securities listed in Hong Kong, at fair value	5,318,549	4,802,397

20. LEASE COMMITMENTS

At 30 June 2018, the total future minimum lease payments under a non-cancellable operating lease of property are payable as follows :-

	<u>2018</u> HK\$	<u>2017</u> HK\$
Not later than one year	1,500,000	1,352,550
Later than one year	3,483,000	339,000
	<u>4,983,000</u>	<u>1,691,550</u>

21. FINANCIAL RISK MANAGEMENT

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Held-to-maturity financial assets	4,755,465	4,891,965
Available-for-sale financial assets	5,318,549	4,802,397
Loans and receivables :-		
Accounts and other receivables	148,072	198,360
Deposits and prepayments	538,904	729,860
Fixed deposits	2,200,000	2,200,000
Cash and bank balances	6,123,101	4,640,305
	<u>9,010,077</u>	<u>7,768,525</u>
	<u>19,084,091</u>	<u>17,462,887</u>

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	349,473	285,812
Receipts in advance	1,318,482	1,253,810
	<u>1,667,955</u>	<u>1,539,622</u>

21. FINANCIAL RISK MANAGEMENT (continued)

Except for available-for-sale financial assets stated at fair value, all other financial instruments are carried at amounts not materially different from their fair values as at 30 June 2018 and 30 June 2017. The fair value of available-for-sale financial assets are set out in note 19.

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 2018 and 30 June 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

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

	<u>2018</u> HK\$	<u>2017</u> HK\$
Past due up to		
- 30 days	78,472	133,560
- 31 to 60 days	4,500	5,500
- 61 to 120 days	10,000	9,000
- Over 120 days	55,100	50,300
	<u>148,072</u>	<u>198,360</u>

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

21. 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 <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>2018</u>					
Accounts payable and accruals	161,996	34,677	-	152,800	349,473
Receipts in advance	1,318,482	-	-	-	1,318,482
	<u>1,480,478</u>	<u>34,677</u>	<u>-</u>	<u>152,800</u>	<u>1,667,955</u>
<u>2017</u>					
Accounts payable and accruals	168,557	27,255	-	90,000	285,812
Receipts in advance	1,253,810	-	-	-	1,253,810
	<u>1,422,367</u>	<u>27,255</u>	<u>-</u>	<u>90,000</u>	<u>1,539,622</u>

(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>2018</u>	
Held-to-maturity financial assets	4,755,465
Accounts receivables	12,480
Cash and bank balances	3,665,336
	<u>8,433,281</u>
<u>2017</u>	
Held-to-maturity financial assets	4,891,965
Accounts receivables	16,380
Cash and bank balances	2,342,156
	<u>7,250,501</u>

21. FINANCIAL RISK MANAGEMENT (continued)

(c) Market 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 available-for-sale financial assets.

The Society mainly holds fixed deposits with bank with maturity for 1 year (2017: 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 held-to-maturity category.

Summary quantitative data

	<u>2018</u> HK\$	<u>2017</u> HK\$
Floating-rate financial assets		
Available-for-sale financial assets	5,318,549	4,802,397
Fixed deposits	2,200,000	2,200,000
Bank balances	6,116,101	4,633,305
	<u>13,634,650</u>	<u>11,635,702</u>
Fixed-rate financial assets		
Held-to-maturity financial assets	4,755,465	4,891,965
	<u>18,390,115</u>	<u>16,527,667</u>

Sensitivity analysis

At 30 June 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with other variables held constant, would increase/decrease the Society's surplus for the year and accumulated surplus by HK\$136,347 (2017: HK\$116,357).

The sensitivity analysis has been prepared with the assumption that the changes in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the end of the next annual reporting period.

The analysis was prepared on the same basis for 2017.

21. FINANCIAL RISK MANAGEMENT (continued)**(c) Market risk (continued)****(iii) Equity price risk**

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

Summary quantitative data

	<u>2018</u>	<u>2017</u>
	HK\$	HK\$
Available-for-sale financial assets, at fair value		
- equity securities listed in Hong Kong	5,318,549	4,802,397
	<u>=====</u>	<u>=====</u>

Sensitivity analysis

At 30 June 2018, 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\$531,855 (2017 : HK\$480,240).

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 2017.

22. 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

23. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

- 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>2018</u>				
Available-for-sale financial assets	5,318,549	-	-	5,318,549
	=====	=====	=====	=====
<u>2017</u>				
Available-for-sale financial assets	4,802,397	-	-	4,802,397
	=====	=====	=====	=====

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

24. 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 2017 and 30 June 2018. 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.

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

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

		<u>Effective for accounting period beginning on or after</u>
HKFRS 9 (2014)	Financial Instruments (Standard)	1 January 2019
HKFRS 9 (2014)	Financial Instruments (Basis for conclusions)	1 January 2019
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers	1 January 2018

25. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR (continued)

Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle	1 January 2018
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over income tax treatments	1 January 2019
HKAS 19	Employee benefits	1 January 2019
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019

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

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on **06 NOV 2018**