

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

2023

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 2023**

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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 2023.

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 2023 and the financial position of the Society at that date are set out in the financial statements on pages 7 to 35.

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	Alvin Man HO, CFA	
Secretary	Janet Tze Yan LI, CFA	(appointed on 13 January 2023)
Treasurer	William Hung Piu LEUNG, CFA Felicia Chuen Wai WONG, CFA	(retired on 12 January 2023)
Members	Richard Kan Chong MAK, CFA Ashley Pui Wun KHOO, CFA Adam Tsz Yin WONG, CFA Alfred LAU, CFA Raymond Hing Cheung TSANG, CFA David Tse Lok CHING, CFA Erwin Ralph SANFT, CFA	(resigned on 11 May 2023) (appointed on 12 January 2023)

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, Janet Tze Yan LI who filled up casual vacancies during the year and Alfred LAU, Felicia Chuen Wai WONG, Ashley Pui Wun KHOO and Richard Kan Chong MAK who retired and re-elected at the annual general meeting held on 13 January 2022 shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. David Tse Lok CHING, Alvin Man HO and Adam Tsz Yin WONG who retired and re-elected and Erwin Ralph SANFT who newly elected at the annual general meeting held on 12 January 2023 shall continue in office for the ensuring 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, 20 DEC 2023

**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 35, which comprise the statement of financial position as at 30 June 2023, 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 2023, 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

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, 20 Dec 2023

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 2023

(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Membership fees	5	5,696,178	5,989,915
Surplus from candidate education	4	995,212	368,922
Surplus from continuing education	5	33,245	18,900
Surplus from investment research challenge	6	37,968	66,519
Surplus from social functions	7	-	2,967
CFA Institute Society Operational Funding subvention		2,386,629	2,642,506
		<u>9,149,232</u>	<u>9,089,729</u>
Other income and net loss	8	(486,143)	(1,420,676)
Administrative expenses	9	(7,705,571)	(7,011,122)
Other operating expenses	10	(1,288,814)	(1,929,979)
Deficit from operations		<u>(331,296)</u>	<u>(1,272,048)</u>
Finance costs	11	(123,256)	(137,667)
Deficit before tax		<u>(454,552)</u>	<u>(1,409,715)</u>
Income tax credit	17(a)	-	23,323
Deficit for the year		<u>(454,552)</u>	<u>(1,386,392)</u>
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		<u><u>(454,552)</u></u>	<u><u>(1,386,392)</u></u>

The notes on pages 11 to 35 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	18	2,566,366	3,827,185
Financial assets at amortised cost	19	3,183,319	7,121,650
Financial assets at fair value through profit or loss	20	6,960,399	8,269,442
		<u>12,710,084</u>	<u>19,218,277</u>
Current assets			
Accounts and other receivables		-	141,892
Deposits and prepayments		498,023	686,783
Cash and bank balances		13,842,474	7,787,195
Tax recoverable	17(c)	48,619	10,000
		<u>14,389,116</u>	<u>8,625,870</u>
Current liabilities			
Accounts payable and accruals		1,274,477	1,946,173
Receipts in advance		1,600,734	13,133
Deferred income		103,875	-
Lease liability	21	1,432,753	1,405,394
		<u>4,411,839</u>	<u>3,364,700</u>
Net current assets		<u>9,977,277</u>	<u>5,261,170</u>
Total assets less current liabilities		<u>22,687,361</u>	<u>24,479,447</u>
Non-current liabilities			
Lease liability	21	385,396	1,818,149
Other payables		270,000	270,000
Deferred income		95,219	-
		<u>750,615</u>	<u>2,088,149</u>
NET ASSETS		<u>21,936,746</u>	<u>22,391,298</u>
MEMBERS' EQUITY			
Members' general fund		<u>21,936,746</u>	<u>22,391,298</u>

Approved and authorised for issue by the board of directors on **20 DEC 2023**

Alvin Man HO, CFA
President

Felicia Chuen Wai WONG, CFA
Treasurer

The notes on pages 11 to 35 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 2023
(Expressed in Hong Kong dollars)

	<u>Members'</u> <u>general fund</u> HK\$
Balance at 1 July 2021	23,777,690
Total comprehensive expense for the year	(1,386,392)
Balance at 30 June 2022	<u>22,391,298</u>
Total comprehensive expense for the year	(454,552)
Balance at 30 June 2023	<u><u>21,936,746</u></u>

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023
(Expressed in Hong Kong dollars)

	<u>Note</u>	<u>2023</u> HK\$	<u>2022</u> HK\$
Cash flows from operating activities			
Deficit before tax		(454,552)	(1,409,715)
Adjustments for :-			
Net unrealised loss on financial assets at fair value through profit or loss		1,323,393	2,166,433
Investment income	12	(423,052)	(385,831)
Interest income	13	(153,796)	(12,907)
Depreciation			
- owned assets	18	357,671	111,883
- property leased for own use	18	1,315,123	1,345,882
Finance costs	11	123,256	137,667
Operating surplus before changes in working capital		<u>2,088,043</u>	<u>1,953,412</u>
Decrease/(increase) in accounts and other receivables		141,892	(141,892)
Decrease in deposits and prepayments		188,760	22,245
(Decrease)/increase in accounts payable and accruals		(671,696)	549,541
Increase/(decrease) in receipts in advance		1,587,601	(1,154,021)
Increase in deferred income		199,094	-
Cash generated from operations		<u>3,533,694</u>	<u>1,229,285</u>
Hong Kong profits tax paid, net		(38,619)	(106,402)
Net cash generated from operating activities		<u>3,495,075</u>	<u>1,122,883</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	18	(411,975)	(882,594)
Proceeds from redemption of financial assets at amortised cost		3,900,000	-
Acquisition of financial assets at fair value through profit or loss		-	(2,151,805)
Decrease in time deposit with the original deposit term over three months		-	3,600,000
Dividend received		212,759	174,706
Coupon interest received		234,274	248,625
Bank interest received	13	153,796	12,907
Net cash generated from investing activities		<u>4,088,854</u>	<u>1,001,839</u>
Cash flows from financing activities			
Capital element of lease rentals paid	22(a)	(1,405,394)	(1,107,183)
Interest element of lease rentals paid	22(a)	(123,256)	(137,667)
Net cash used in financing activities		<u>(1,528,650)</u>	<u>(1,244,850)</u>
Net increase in cash and cash equivalents		<u>6,055,279</u>	<u>879,872</u>
Cash and cash equivalents at the beginning of the year		<u>7,787,195</u>	<u>6,907,323</u>
Cash and cash equivalents at the end of the year		<u>13,842,474</u>	<u>7,787,195</u>
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		<u>13,842,474</u>	<u>7,787,195</u>

The notes on pages 11 to 35 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 2023
(Expressed in Hong Kong dollars)

1. SOCIETY INFORMATION

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

The maximum number of members which the Society has registered is 20,000. The number of members of the Society as at 30 June 2023 was 6,378 (2022 : 6,575).

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

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

(b) Basis of preparation of financial statements

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Basis of preparation of financial statements (continued)**

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

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

(c) Changes in accounting policies and disclosures

The 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).

(d) Property, plant and equipment

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

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

(e) Translation of foreign currencies

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

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

(f) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Society recognises loss allowances for ECLs on financial assets measured at amortised cost (including cash and bank balances, trade receivables, other receivables and contract assets).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(f) Credit losses and impairment of assets (continued)****(i) Credit losses from financial assets (continued)**

In measuring ECLs, the Society takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for accounts receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Society's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Society recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Society compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Society considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Society considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Impairment of non-financial assets

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

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Equity investments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Recognition of income

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

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 Company 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.

(i) Income tax

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

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

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

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

(j) Provisions and contingencies

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

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

(l) Related parties

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

- (i) has control or joint control over the Society ;
- (ii) has significant influence over the Society ; or
- (iii) is a 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits

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

(n) Leased assets

At inception of a contract, the Society assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

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

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

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

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

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

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

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

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

(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>2023</u> HK\$	<u>2022</u> HK\$
Income from study materials and programme income	999,495	407,170
Less : Cost of study materials and programme expenses	(4,283)	(38,248)
	<u>995,212</u>	<u>368,922</u>
	=====	=====

5. SURPLUS FROM CONTINUING EDUCATION

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Programme income	35,938	22,050
Less : Programme expenses	(2,693)	(3,150)
	<u>33,245</u>	<u>18,900</u>
	=====	=====

6. SURPLUS FROM INVESTMENT RESEARCH CHALLENGE

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Competition income	109,927	144,240
Less : Competition expenses	(71,959)	(77,721)
	<u>37,968</u>	<u>66,519</u>
	=====	=====

7. (DEFICIT)/SURPLUS FROM SOCIAL FUNCTIONS

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Function income	33,780	7,160
Less : Function expenses	(237,625)	(4,193)
	<u>(203,845)</u>	<u>2,967</u>

8. OTHER INCOME AND NET LOSS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Exchange gain, net	26,237	3,513
Government grant from Employment Support Scheme	75,600	148,000
Government grant from Technology Voucher Programme	112,531	-
Investment income (note 12)	423,052	385,831
Interest income from bank deposits (note 13)	153,796	12,907
Sundry income	46,034	195,506
Net unrealised loss on financial assets at fair value through profit or loss	(1,323,393)	(2,166,433)
	<u>(486,143)</u>	<u>(1,420,676)</u>

9. ADMINISTRATIVE EXPENSES

	<u>2023</u> HK\$	<u>2022</u> HK\$
Depreciation on owned assets	357,671	111,883
Depreciation on right-of-use assets	1,315,123	1,345,882
Electricity	23,502	20,091
Personnel costs (note 14)	5,525,372	5,036,708
Government rent, rates and building management fee	332,294	300,244
Telephone and internet	151,609	196,314
	<u>7,705,571</u>	<u>7,011,122</u>

10. OTHER OPERATING EXPENSES

	<u>2023</u> HK\$	<u>2022</u> HK\$
Advertising and promotion for public awareness	349,093	992,257
Accounting fee	9,000	-
Audit fee	33,750	30,750
Bank charges	13,791	16,097
Business registration fee	750	1,250
Commission for online receipt	11,638	5,961
Computer software expenses	147,968	109,325
Deficit from social functions (note 7)	203,845	-
Deficit from Awards Night (note 15)	167,676	27,892
Insurance	75,526	82,571
Meeting expenses	59,081	42,888
Membership expenses	65,500	153,850
Office cleaning	32,797	123,478
Postages, printing and stationery	54,880	67,703
Professional fees	19,275	15,610
Repairs and maintenance	8,408	5,950
Recruitment cost	6,100	9,798
Sundry expenses	29,024	19,131
Travelling	712	484
30 th Anniversary event	-	224,984
	<u>1,288,814</u>	<u>1,929,979</u>

11. FINANCE COSTS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Interest on lease liability	<u>123,256</u>	<u>137,667</u>

12. INVESTMENT INCOME

	<u>2023</u> HK\$	<u>2022</u> HK\$
Interest received from debt securities	210,293	211,125
Dividend received from listed equity securities	212,759	174,706
	<u>423,052</u>	<u>385,831</u>

13. INTEREST INCOME FROM BANK DEPOSITS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Bank interest income	28,167	278
Interest received from fixed deposits	125,629	12,629
	<u>153,796</u>	<u>12,907</u>

14. PERSONNEL COSTS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Salaries	5,345,534	4,835,352
Mandatory Provident Fund contributions	136,365	147,701
Staff welfare and allowances	13,473	26,415
Long-Service Payment	30,000	5,240
	<u>5,525,372</u>	<u>5,036,708</u>

15. 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>2023</u> HK\$	<u>2022</u> HK\$
Ticket income	105,930	35,250
Less : Event expenses	(273,606)	(63,142)
	<u>(167,676)</u>	<u>(27,892)</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 CREDIT

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Current tax :-		
Over-provision in previous years	-	(23,323)
	<u>-</u>	<u>(23,323)</u>
Deferred tax :-		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Actual tax credit for the year	<u>-</u>	<u>(23,323)</u>

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Deficit before tax	<u>(454,552)</u>	<u>(1,409,715)</u>
Provision for Hong Kong profits tax at the effective tax rate –	(37,502)	(116,301)
Tax effect of :-		
- non-deductible expenses	109,180	178,731
- non-taxable income	(41,535)	(32,721)
- change in deferred tax not recognised	(5,724)	(65,960)
- unused tax losses (utilised)/not recognised	(24,419)	36,251
Over-provision in previous years	-	(23,323)
	<u>-</u>	<u>(23,323)</u>
Actual tax credit for the year	<u>-</u>	<u>(23,323)</u>

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Provisional tax paid	<u>(48,619)</u>	<u>(10,000)</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 2021	7,181,225	846,023	799,903	8,827,151
Additions	-	-	882,594	882,594
Disposals	(3,235,856)	-	-	(3,235,856)
At 30 June 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
Accumulated depreciation :-				
At 1 July 2021	2,876,316	846,023	702,456	4,424,795
Charge for the year	1,345,882	-	111,883	1,457,765
Written back on disposal	(3,235,856)	-	-	(3,235,856)
At 30 June 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
Net book value :-				
At 30 June 2023	1,643,904	-	922,462	2,566,366
At 30 June 2022	2,959,027	-	868,158	3,827,185

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	2023 HK\$	2022 HK\$
Depreciation on right-of-use assets		1,315,123	1,345,882
Interest on lease liability	11	123,256	137,667

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>2023</u> HK\$	<u>2022</u> HK\$
Debt securities, at amortised cost	3,183,319	7,121,650
Market value	3,026,244	6,981,546

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2023</u> HK\$	<u>2022</u> HK\$
Exchange-trade funds listed in Hong Kong	5,342,166	6,264,880
Equity securities listed in Hong Kong	1,618,233	2,004,562
	<u>6,960,399</u>	<u>8,269,442</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>2023</u>		<u>2022</u>	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within one year	1,432,753	1,485,581	1,405,394	1,528,650
After one year but within two years	385,396	387,000	1,432,753	1,485,580
After two year but within five years	-	-	385,396	387,000
	<u>1,818,149</u>	<u>1,872,581</u>	<u>3,223,543</u>	<u>3,401,230</u>
Less : Total future interest expenses		(54,432)		(177,687)
Present value of the lease liability		<u>1,818,149</u>		<u>3,223,543</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 2021	4,330,726
Changes from cash flows :-	
Capital element of lease rentals paid	(1,107,183)
Interest element of lease rentals paid	(137,667)
Other changes :-	
Interest on lease liability	137,667
	<u>(1,107,183)</u>
At 30 June 2022	<u>3,223,543</u>
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
	<u>(1,405,394)</u>
At 30 June 2023	<u>1,818,149</u>

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Within operating cash flows	-	-
Within investing cash flows	-	-
Within financing cash flows	1,528,650	1,244,850
	<u>1,528,650</u>	<u>1,244,850</u>

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>2023</u> HK\$	<u>2022</u> HK\$
Financial assets at amortised cost		
- debt securities	3,183,319	7,121,650
	-----	-----
Financial assets at fair value through profit or loss		
- exchange-trade funds listed in Hong Kong	5,342,166	6,264,880
- equity securities listed in Hong Kong	1,618,233	2,004,562
	-----	-----
Loans and receivables		
- accounts and other receivables	-	141,892
- deposits and prepayments	498,023	686,783
- cash and bank balances	13,842,474	7,787,195
- tax recoverable	48,619	10,000
	-----	-----
	14,389,116	8,625,870
	-----	-----
	<u>24,532,834</u>	<u>24,016,962</u>
	=====	=====

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

	<u>2023</u> HK\$	<u>2022</u> HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	1,544,477	2,216,173
Receipts in advance	1,600,734	13,133
Lease liability	1,818,149	3,223,543
Deferred income	199,094	-
	-----	-----
	5,162,454	5,452,849
	=====	=====

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 2023 and 30 June 2022. 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.

24. FINANCIAL RISK MANAGEMENT (continued)

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 2023 and 30 June 2022 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>2023</u> HK\$	<u>2022</u> HK\$
Past due up to		
- 30 days	-	141,892
- 31 to 60 days	-	-
- 61 to 120 days	-	-
- Over 120 days	-	-
	<u>-</u>	<u>141,892</u>

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

(b) Liquidity risk

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

Summary quantitative data

	<u>Not later than 1 month HK\$</u>	<u>Later than 1 month but not later than 3 months HK\$</u>	<u>Later than 3 months but not later than 1 year HK\$</u>	<u>Later than 1 year but not later than 5 years HK\$</u>	<u>Carrying amounts HK\$</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>
<u>2022</u>					
Accounts payable and accruals	256,496	1,689,677	-	270,000	2,216,173
Receipts in advance	13,133	-	-	-	13,133
Lease liability	109,629	220,631	1,075,134	1,818,149	3,223,543
	<u>379,258</u>	<u>1,910,308</u>	<u>1,075,134</u>	<u>2,088,149</u>	<u>5,452,849</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>2023</u>	
Debt securities	3,183,319
Cash and bank balances	13,214,551
	<u>16,397,870</u>
<u>2022</u>	
Debt securities	7,121,650
Accounts receivables	65,893
Cash and bank balances	6,997,520
	<u>14,185,063</u>

Sensitivity analysis

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

(ii) Interest rate risk

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

The Society mainly holds fixed deposits with bank with maturity within 1 year (2022: for 1 year) and the exposure is considered not significant. It also invests surplus funds in fixed income securities and such investments are not considered to expose to interest rate risk under the debt securities. The changes in interest rates are not significant to the financial statements.

(iii) Equity price risk

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

24. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(iii) Equity price risk

Summary quantitative data

	<u>2023</u> HK\$	<u>2022</u> HK\$
Equity securities listed in Hong Kong	6,960,399	8,269,442

Sensitivity analysis

At 30 June 2023, 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\$696,040 (2022 : HK\$826,944).

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 2022.

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>2023</u>				
Financial assets at fair value through profit or loss	6,960,399	-	-	6,960,399
<u>2022</u>				
Financial assets at fair value through profit or loss	8,269,442	-	-	8,269,442

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 2022 and 30 June 2023. 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 2023 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
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16, Lease : Lease liabilities in a sale and leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28, Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined

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

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 reclassified to conform with current year's presentation.