



香港醫學會  
THE HONG KONG  
MEDICAL ASSOCIATION

# 動盪之年 A Turbulent Year

財政報告 Financial Report  
2019/2020

I STAY AT WORK  
FOR YOU  
YOU STAY AT HOME  
FOR US

# 使命

## OUR PURPOSE



香港醫學會成立於一九二零年，匯聚了在香港執業、服務市民的會員醫生，我會的宗旨為促進醫學界的福祉及提升市民的健康水平。香港醫學會現有 10,000 多名來自醫學界各方的成員，是醫學界同業的喉舌，同時為會員傳遞來自世界各地的訊息，包括醫學上的專業操守以及各項醫學課題的最新資訊。

香港醫學會會徽誌有箴言：「維護民康」，以此表彰照顧病人是醫生的天職，醫學會並以倡導此信念為傲。

The Hong Kong Medical Association, founded in 1920, brings together all medical practitioners practising in, and serving the people of, Hong Kong. Its objective is to promote the welfare of the medical profession and the health of the public. With the current membership of over 10,000 from all sectors of medical practice, it speaks collectively for its members and aims to keep its members abreast of medical ethics and issues around the world.

The Association takes pride in displaying in its emblem its motto in Chinese which translates into **“to safeguard the health of the people”** to pronounce sacred duty of a medical practitioner to look after his/her patients.

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# REPORT OF MEMBERS OF COUNCIL

The Council has pleasure in submitting to the members the annual report and financial statements for the year ended 29 February 2020.

## PRINCIPAL ACTIVITIES

The principal activities of the Association are the promotion of the welfare and the protection of the lawful interests of the medical profession.

## FINANCIAL STATEMENTS

The financial performance and the movements of the designated funds of the Association for the year ended 29 February 2020 and the financial position of the Association at that date are set out in the financial statements on pages 6 to 24.

## MEMBERS OF THE COUNCIL

The following members served on the Council during the financial year and up to the date of this report:

Dr. Chan Hau Ngai, Kingsley	Dr. Leung Chi Chiu	
Dr. Chan Kit Sheung	Dr. Lo Chi Fung, Ernie	(Until 16 July 2019)
Dr. Chan Nim Tak, Douglas	Dr. Mak Siu King	(Elected on 16 July 2019)
Dr. Chan, Pierre	Dr. Ng Chi Ho	
Dr. Chan Siu Kim	Dr. Pong Chiu Fai, Jeffrey	
Dr. Cheng Chi Man	Dr. Shea Tat Ming, Paul	
Dr. Cheung Hon Ming	Dr. Sin Pui Yee, Helena	
Dr. Choi Kin	Dr. So Yui Chi	
Dr. Fung Tak Kwan, James	Dr. Tong Kai Sing	
Dr. Ho Chung Ping	Dr. Wong Bun Lap, Bernard	
Dr. Ho Hung Kwong, Duncan	Dr. Wong Yee Him	
Dr. Ip Wing Yuk, Josephine	Dr. Yam Chun Yin, Abraham	
Dr. Lam Ho	Dr. Yeung Chiu Fat, Henry	
Dr. Lam Tzit Yuen, David	Dr. Yeung Hip Wo, Victor	
Dr. Lee Fook Kay, Aaron		

## ATTENDANCE AT COUNCIL MEETINGS

Since the last annual general meeting held on 16 July 2019, 11 regular meetings and 3 extra meetings of the Council had been held and the attendance of council members at these meetings was as follows:

	Number of attendance at Council meetings		Number of attendance at Council meetings
Dr. Chan Hau Ngai, Kingsley	12	Dr. Leung Chi Chiu	11
Dr. Chan Kit Sheung	11	Dr. Lo Chi Fung, Ernie	3
Dr. Chan Nim Tak, Douglas	13	Dr. Mak Siu King	13
Dr. Chan, Pierre	11	Dr. Ng Chi Ho	6
Dr. Chan Siu Kim	11	Dr. Pong Chiu Fai, Jeffrey	8
Dr. Cheng Chi Man	11	Dr. Shea Tat Ming, Paul	6
Dr. Cheung Hon Ming	8	Dr. Sin Pui Yee, Helena	6
Dr. Choi Kin	14	Dr. So Yui Chi	8
Dr. Fung Tak Kwan, James	9	Dr. Tong Kai Sing	12
Dr. Ho Chung Ping	14	Dr. Wong Bun Lap, Bernard	4
Dr. Ho Hung Kwong, Duncan	9	Dr. Wong Yee Him	5
Dr. Ip Wing Yuk, Josephine	9	Dr. Yam Chun Yin, Abraham	9
Dr. Lam Ho	9	Dr. Yeung Chiu Fat, Henry	11
Dr. Lam Tzit Yuen, David	13	Dr. Yeung Hip Wo, Victor	14
Dr. Lee Fook Kay, Aaron	8		



### MANAGEMENT CONTRACTS

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

### PERMITTED INDEMNITY PROVISIONS

At no time during the year and up to the date of this council members' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the council members of the Association (whether made by the Association or otherwise).

### MEMBERSHIP

During the year, a total of 1 life member, 68 regular members, 35 student members and 165 associate members joined the Association. As at 29 February 2020, the total number of members was 12,344, of which 9,341 are regular members, 686 newly qualified members, 384 life members, 2 honorary members, 1,034 student members, 236 absent members, 658 associate members and 6 fraternity members.

### HONORARY AUDITORS

The financial statements have been audited by Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the Council

### Dr. Ho Chung Ping

President

Hong Kong, 2 June 2020

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF THE HONG KONG MEDICAL ASSOCIATION

(incorporated in Hong Kong and limited by guarantee)

### OPINION

We have audited the financial statements of The Hong Kong Medical Association ("the Association") set out on pages 6 to 24, which comprise the statement of financial position as at 29 February 2020, and the statement of comprehensive income and the statement of changes in funds and the statement of cash flows for the year then ended, and notes on 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 Association as at 29 February 2020, and of its financial performance and its cash flows 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 Association 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.

### OTHER INFORMATION

The council members are responsible for the other information. The other information comprises all the information included in the council members' report, 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 COUNCIL MEMBERS FOR THE FINANCIAL STATEMENTS

The council members are responsible for the preparation of 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 council members 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 council members are responsible for assessing the Association'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 council members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.



## 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. We 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 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.
- Conclude on the appropriateness of the council members' 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 Association'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 Association 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 those charged with governance 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.

Li, Tang, Chen & Co.  
Certified Public Accountants (Practising)  
Honorary Auditors

Hong Kong, 2 June 2020

# STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Note		2020	2019
		HK\$	HK\$	HK\$
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	5		11,945,685	12,433,061
Investment property	6		81,963	82,063
Prepaid lease payments on land use rights	7		98,429	102,075
Financial assets at fair value through other comprehensive income	8		17,511,378	21,954,454
			29,637,455	34,571,653
<b>CURRENT ASSETS</b>				
Inventories	3(f)	679,165		117,500
Prepaid lease payments on land use rights	7	3,645		3,645
Utility and other deposits		145,717		138,069
Sundry receivables and prepayments		2,104,924		2,368,407
Cash and bank balances	9	51,803,497		47,501,653
		54,736,948		50,129,274
<b>CURRENT LIABILITIES</b>				
Amount due to a related company	10	1,280		1,385
Receipts in advance, sundry payables and accruals		44,959,947		39,092,250
		44,961,227		39,093,635
<b>NET CURRENT ASSETS</b>			9,775,721	11,035,639
<b>NET ASSETS</b>			39,413,176	45,607,292
<b>FUNDS</b>				
General Fund	23		14,555,860	14,555,860
Special Fund	23		15,408,464	16,239,607
Permanent Premises Fund	23		4,224,653	4,224,653
Public Medical Education Foundation Fund	23		248,112	247,887
HKMA China Relief Fund	23		63,313	63,229
New Premises Fund	23		6,281,573	6,281,573
Investment Revaluation Reserve	23		(1,368,799)	3,994,483
<b>TOTAL FUNDS</b>			39,413,176	45,607,292

The financial statements on pages 6 to 24 were approved and authorised for issue by the Council on 2 June 2020

**Dr. HO Chung Ping**  
President

**Dr. LEUNG Chi Chiu**  
Honorary Treasurer



# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 29 FEBRUARY 2020

	Note	2020 HK\$	2019 HK\$
<b>MEMBERSHIP AND SUBSCRIPTION FEES</b>	11	59,050	88,500
<b>OTHER INCOME AND NET GAINS</b>	11	15,490,824	16,420,907
<b>ADMINISTRATIVE AND OTHER OPERATING EXPENSES</b>	12	(16,381,017)	(16,541,809)
<b>(DEFICIT)/SURPLUS BEFORE TAXATION</b>		(831,143)	(32,402)
<b>TAXATION</b>	22	-	-
<b>DEFICIT FOR THE YEAR</b>		(831,143)	(32,402)
<b>TRANSFER FROM SPECIAL FUND FOR SUBSCRIPTIONS RECEIVABLE WAIVED FOR 2019/20</b>		4,002,800	3,842,900
<b>NET SURPLUS FOR THE YEAR TRANSFERRED TO GENERAL FUND</b>	23	3,171,657	3,810,498
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>			
Items that will not be reclassified to surplus or deficit:			
- Equity securities designated at FVOCI net movement in fair value reserve (non-recycling)		(5,363,282)	(2,730,783)
- Interest income from HKMA China Relief Fund		84	32
- Interest income from Public Medical Education Foundation Fund		225	86
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR</b>		(5,362,973)	(2,730,665)
<b>TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR</b>		(2,191,316)	1,079,833

# STATEMENT OF CHANGES IN FUNDS

## FOR THE YEAR ENDED 29 FEBRUARY 2020

	General Fund	Special Fund	Permanent Premises Fund	Public Medical Education Foundation Fund	HKMA China Relief Fund	New Premises Fund	Investment Revaluation Reserve (recycling)	Fair value Reserve (non-recycling)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 28 February 2018	14,555,860	16,272,009	4,224,653	247,801	63,197	6,281,573	6,725,266	-	48,370,359
Impact on application of HKFRS 9	-	-	-	-	-	-	(6,725,266)	6,725,266	-
Adjusted balance at 1 March 2019	14,555,860	16,272,009	4,224,653	247,801	63,197	6,281,573	-	6,725,266	48,370,359
Surplus for the year	3,810,498	-	-	-	-	-	-	-	3,810,498
Other comprehensive income for the year									
- Interest income	-	-	-	86	32	-	-	-	118
- Charges in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(2,730,783)	(2,730,783)
	-	-	-	86	32	-	-	(2,730,783)	(2,730,665)
Total comprehensive income for the year	3,810,498	-	-	86	32	-	-	(2,730,783)	1,079,833
Transfer to special fund (note 23)	(3,810,498)	3,810,498	-	-	-	-	-	-	-
Transfer to statement of comprehensive income for subscriptions receivable waived for 2018/19	-	(3,842,900)	-	-	-	-	-	-	(3,842,900)
At 29 February 2019	14,555,860	16,239,607	4,224,653	247,887	63,229	6,281,573	-	3,994,483	45,607,292
Surplus for the year	3,171,657	-	-	-	-	-	-	-	3,171,657
Other comprehensive expense for the year									
- Interest income	-	-	-	225	84	-	-	-	309
- Charges in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(5,363,282)	(5,363,282)
	-	-	-	225	84	-	-	(5,363,282)	(5,362,973)
Total comprehensive income/(expense) for the year	3,171,657	-	-	225	84	-	-	(5,363,282)	(2,191,316)
Transfer to special fund (note 23)	(3,171,657)	3,171,657	-	-	-	-	-	-	-
Transfer to statement of comprehensive income for subscriptions receivable waived for 2019/20	-	(4,002,800)	-	-	-	-	-	-	(4,002,800)
At 29 February 2020	14,555,860	15,408,464	4,224,653	248,112	63,313	6,281,573	-	(1,368,799)	39,413,176

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 29 FEBRUARY 2020

	Note	2020 HK\$	2019 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Deficit)/surplus before taxation			
- General Fund		(831,143)	(32,402)
Surplus for the year			
- Public Medical Education Foundation Fund		225	86
- HKMA China Relief Fund		84	32
Adjustments for:			
Interest income		(997,595)	(1,051,353)
Depreciation and amortisation expenses		669,436	872,186
Dividend income		(1,333,041)	(1,488,000)
<b>Operating deficit before working capital and fund changes</b>		<b>(2,492,034)</b>	<b>(1,699,451)</b>
Increase in inventories		(561,665)	(15,973)
Decrease in sundry receivables and prepayments		263,483	379,306
Increase in utility and other deposits		(7,648)	(11,828)
Increase/(decrease) in receipts in advance, sundry payables and accruals		5,867,696	(28,210,376)
Decrease in amount due to a related company		(105)	(105)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>3,069,727</b>	<b>29,558,427</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received		412,836	618,419
Payments to acquire property, plant and equipment		(178,314)	(155,521)
Interest received		997,595	1,051,353
Increase in time deposits with maturity more than 3 months at acquisition		183,863	(423,375)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>1,415,980</b>	<b>1,090,876</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,485,707</b>	<b>(28,467,551)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>17,000,674</b>	<b>45,468,225</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>21,486,381</b>	<b>17,000,674</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	9	21,486,381	17,000,674

# NOTES ON THE FINANCIAL STATEMENTS

## 1. STATUS OF THE ASSOCIATION

The Hong Kong Medical Association (“the Association”) was incorporated in Hong Kong on 15th June, 1960 as a company limited by guarantee incorporated in Hong Kong. Every member of the Association undertakes to contribute, if required, an amount not exceeding HK\$20, to the assets of the Association in the event of its being wound up. The address of the Association’s registered office is 5/F., Duke of Windsor Social Service Building, 15 Hennessy Road, Hong Kong.

The Association is engaged in the promotion of the welfare and the protection of the lawful interests of the medical profession.

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Association.

## 2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued a new and a number of amendments to Hong Kong Financial Reporting Standards (HKFRSs) that are first effective for the current accounting period of the Association. The Association consider these standards, amendments and interpretations have no material impact on the Association’s financial statements.

The Association has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

## 3. SUMMARY OF 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 periods presented, unless otherwise stated.

### a) Basis of preparation:

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Hong Kong Accounting Standards) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under historical cost convention, except for financial asset at fair value through other comprehensive income and available-for-sale financial assets, which have been measured at fair value.

### b) Foreign currency translation:

#### i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates (“the functional currency”). The financial statements are presented in Hong Kong dollars, which is the Association’s functional and presentation currency.

#### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### c) Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income 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 property, plant and equipment, the expenditure is capitalized as an additional cost of that asset.

Depreciation on property, plant and equipment is calculated on the straight-line basis to write off the cost over their estimated useful lives and after taking into account their estimated residue values, where appropriate, as follows:

Leasehold land and building/building	over the remaining unexpired terms of the leases
Furniture and fixtures	10% per annum
Computer equipment	10% per annum

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### d) Investment property:

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided to write off the cost of investment property using the straight-line method over the remaining terms of the lease.

#### e) Impairment of assets:

##### i) Impairment of non-financial assets

At the end of each reporting period, an assessment is made of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount for the asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised in prior years.

##### ii) Credit losses and impairment of financial assets:

The Association recognises a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including accounts receivable).

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 company in accordance with the contract and the cash flows that the Association expects to receive).

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs based on the Association's historical credit loss experience, adjusted for factors that are specific to debtors and the current and forecast general economic conditions at the end of the reporting period.

Lifetime ECLs are losses that are expected to result from all possible default events over the expected lives of the financial assets.

#### f) Inventories:

Inventories comprise publications, souvenir and beverage held for sale and are stated at the lower of cost and net realisable value. Costs, which comprises all cost of purchase and, where applicable, costs of conversion and other costs that have incurred in bringing the inventories to their present location and condition, is calculated on the first in first out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### g) Receivables:

A receivable is recognised when the Association has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Association has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3(r)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3(e)(ii)).

#### h) Payables:

Payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

#### i) Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand 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, less bank overdrafts which are repayable on demand and form an integral part of the Association's cash management.

#### j) Designated donations/contributions and related expenditures:

Designated donations/contributions received are credited directly to the respective funds. Expenditures are charged to these funds where appropriate.

# NOTES ON THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### k) **Deferred income tax:**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

### l) **Investments in equity instruments:**

Investments in equity securities are recognised and derecognised on the date when the Association commits to purchase or sell the investments. The investments are initially stated at fair value plus transaction costs. These investments are subsequently accounted for as follows:

An investment in equity instrument is classified as fair value through profit or loss (FVTPL) unless they are not held for trading purposes, on initial recognition of the investment, the group makes an election to designate the investment at FVOCI (non-recycling). When the investment is derecognised, the changes in fair value accumulated in fair value reserve is transferred to retained earnings and not recycled through profit or loss.

### m) **Operating leases:**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged or credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

### n) **Revenue:**

Donation income is recognised on a cash received basis.

Rental income is recognised in the year on a straight-line basis over the lease terms.

Dividend received from listed investments is recognised when the right to receive payment is established.

Interest income is recognised as it accrues using the effective interest method.

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognised when (or as) the Association satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset:

- i) Membership and subscription fees are recognised over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Association.
- ii) Entrance fees are recognised at a point in time on approved of status to the applicants.
- iii) Admission fees income are recognised when the related functions are performed.
- iv) Advertisement income is recognised when the related advertisements have been published.
- v) Sales of wine, beverages, food and souvenirs are recognised at a point in time when the delivery is made.
- vi) Retention fees on sales of food are recognised when related sales are recognised.
- vii) Commission and administration fee income are recognised in the year in which the services are rendered.
- viii) Income from seminars courses and activities is recognised over time as the services are rendered.

### o) **Related parties:**

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

- i) has control or joint control over the Association;
- ii) has significant influence over the Association; or
- iii) is a member of the key management personnel of the Association or the Association's parents.

b) An entity is related to the Association if any of the following conditions applies:

- i) the entity and the Association 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 Association or an entity related to the Association.
- vi) the entity is controlled or jointly controlled by a person identified in (a).



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**o) Related parties: (cont'd)**

- b) An entity is related to the Association if any of the following conditions applies: (cont'd)
- 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 group or to the group'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.

**p) Employee benefits:**

Salaries, annual leave and other costs of non-monetary benefits are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Association.

The Association's contributions to the mandatory provident fund scheme and the defined contribution retirement scheme are expensed as incurred. Contributions to the defined contribution retirement scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of both schemes are held separately from those of the Association in independently administered funds.

**q) Provisions:**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

**r) Contract assets and contract liabilities:**

A contract asset is recognised when the Association recognises revenue (see note 3(n)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 3(e)(ii) and are reclassified to receivables when the right to the consideration has become unconditional (see note 3(g)).

A contract liability is recognised when the customer pays non-refundable consideration before the Association recognises the related revenue (see note 3(n)). A contract liability would also be recognised if the Association has an unconditional right to receive non-refundable consideration before the Association recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3(g)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Useful lives of property, plant and equipment

The Association's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

# NOTES ON THE FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building (Note 1)	Building (Note 2)	Furniture and fixtures	Computer equipment	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost:</b>					
At 1.3.2018	8,554,079	563,790	13,238,621	969,413	23,325,903
Additions	-	-	135,688	19,833	155,521
At 28.2.2019 and 1.3.2019	8,554,079	563,790	13,374,309	989,246	23,481,424
Additions	-	-	158,926	19,388	178,314
At 29.2.2020	8,554,079	563,790	13,533,235	1,008,634	23,659,738
<b>Accumulated depreciation:</b>					
At 1.3.2018	630,336	243,457	8,530,438	775,691	10,179,922
Charge for the year	9,007	10,921	807,399	41,114	868,441
At 28.2.2019 and 1.3.2019	639,343	254,378	9,337,837	816,805	11,048,363
Charge for the year	9,007	10,921	606,000	39,762	665,690
At 29.2.2020	648,350	265,299	9,943,837	856,567	11,714,053
<b>Net book value:</b>					
At 29.2.2020	7,905,729	298,491	3,589,398	152,067	11,945,685
At 28.2.2019	7,914,736	309,412	4,036,472	172,441	12,433,061

Notes:

- 1) The leasehold land and building is held in Hong Kong on long lease and is located at 2<sup>nd</sup> Floor, The Chinese Club Building, Nos. 21 & 22 Connaught Road Central, Hong Kong.
- 2) The building is situated in Hong Kong at 5th Floor, Duke of Windsor Building, 15 Hennessy Road, Hong Kong.

## 6. INVESTMENT PROPERTY

	Investment property (Note 1)
	HK\$
<b>Cost:</b>	
At 1.3.2018, 28.2.2019 and at 29.2.2020	83,463
<b>Accumulated depreciation:</b>	
Balance at 1.3.2018	1,300
Charge for the year	100
Balance at 28.2.2019	1,400
Charge for the year	100
Balance at 29.2.2020	1,500
<b>Net book value:</b>	
At 29.2.2020	81,963
At 28.2.2019	82,063

Note:

- 1) The investment property is held in Hong Kong on long lease and is located at Flat 1, 6th Floor, Wyndham Mansion, 32 Wyndham Street, Hong Kong.

The investment property is leased to third parties on operating leases. The fair value of the property at 29 February 2020 assessed by the council members is HK\$11,164,183 (2019: HK\$11,846,023) which is based on open market value of similar properties.





## 6. INVESTMENT PROPERTY (CONT'D)

### Fair value measurement of property

#### i) Fair value hierarchy

The following table presents the fair value of the Association's investment property measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 29 February 2020 categorised into				
	Carrying value at 29 February 2020	Fair value at 29 February 2020	Level 1	Level 2	Level 3
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Recurring fair value measurement</b>					
Investment property in Hong Kong	81,963	11,164,183	-	11,164,183	-

	Fair value measurements as at 28 February 2019 categorised into				
	Carrying value at 28 February 2019	Fair value at 28 February 2019	Level 1	Level 2	Level 3
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Recurring fair value measurement</b>					
Investment property in Hong Kong	82,063	11,846,023	-	11,846,023	-

#### ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment property located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

## 7. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

The Association's prepaid lease payments on land use rights comprise:

	2020	2019
	HK\$	HK\$
Situated in Hong Kong		
Medium-term lease	102,074	105,720
Analysed for reporting purposes as:		
Non-current assets	98,429	102,075
Current assets	3,645	3,645
	102,074	105,720

# NOTES ON THE FINANCIAL STATEMENTS

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

	2020	2019
	HK\$	HK\$
Financial assets designated at FVOCI (non-recycling)		
Listed equity securities in Hong Kong	17,511,378	21,954,454

These investments are designated at FVOCI as they are held for strategic purposes.

## 9. CASH AND BANK BALANCES

	2020	2019
	HK\$	HK\$
Time deposits at bank	30,317,116	30,500,979
Cash and bank balances	21,486,381	17,000,674
Cash and bank balances in the statement of financial position	51,803,497	47,501,653
Less: Time deposits with original maturity more than three months	(30,317,116)	(30,500,979)
Cash and cash equivalents in the statement of cash flows	21,486,381	17,000,674

Cash and bank balances include the following amounts denominated in a currency other than the Association’s functional currency, Hong Kong dollars:

	2020		2019	
United States dollars	US\$	204,802	US\$	219,325
Australian dollars	AUD	11,738	AUD	116,923
Renminbi	CNY	21,455,567	CNY	20,629,274

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of no more than three months depending on the immediate cash requirements of the Association, and earn interest at the respective short term time deposit rates.

## 10. AMOUNT DUE TO A RELATED COMPANY

This amount is unsecured advances which are interest free and have no fixed terms of repayment.

## 11. MEMBERSHIP AND SUBSCRIPTION FEES AND OTHER INCOME AND NET GAINS

The Association is engaged in the promotion of the welfare and the protection of the lawful interests of the medical profession. Revenues recognised during the year were as follows:

	2020	2019
	HK\$	HK\$
Membership and subscription fees:		
Entrance fees	9,000	10,500
Annual subscriptions	26,050	30,000
Life membership subscriptions	24,000	48,000
	59,050	88,500



## 11. MEMBERSHIP AND SUBSCRIPTION FEES AND OTHER INCOME AND NET GAINS (CONT'D)

	2020	2019
	HK\$	HK\$
Other income and net gains		
Operating lease rental income from investment property	405,000	408,000
Dividends received from listed financial assets at fair value through other comprehensive income	1,333,041	1,488,000
Administration fee income	8,000,000	8,000,000
Commission received	226,023	313,301
Bank interest income	997,595	1,051,353
Surplus on annual social functions – note 13	-	1,104
Surplus from club house – note 14	1,518,107	2,215,863
Net income from mailing service secretarial charges – note 15	456,026	607,051
CME lecture fee	425,550	578,600
Surplus on CME Programme for non-specialists – note 16	141,875	99,193
Sundry income	15,571	7,623
Surplus on HKMA Newsletter – note 20	1,972,036	1,650,819
	15,490,824	16,420,907

## 12. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2020	2019
	HK\$	HK\$
Advertising, newspaper and periodicals	38,766	28,004
Annual charity concert expenses	69,705	79,806
Amortisation of land use rights	3,646	3,645
Awards to medical students	10,000	10,000
Cash coupons to life members	44,500	54,900
Cleaning expenses	42,141	22,288
Club house expenses	682,949	346,483
Computer expenses	124,011	101,561
Community services	126,040	8,186
Conference expenses	42,432	64,333
Contribution to staff retirement fund	800,721	799,571
Deficits from 100th Anniversary functions	73,065	-
Deficits from annual social functions – note 13	11,080	-
Deficits on Professional Service Development Assistance Scheme	-	38,385
Deficits on CME Bulletin – note 17	479,378	338,323
Deficit from other functions – note 18	415,183	745,558
Deficit on sale of Hong Kong Medical Journal expenses	208,585	214,840
Depreciation on property, plant and equipment	665,690	868,441
Depreciation on investment property	100	100
	665,790	868,541
Donations	5,000	10,000
Exchange loss	1,251,950	1,394,274
Gifts	18,315	22,500
Insurance	64,236	50,776
Licence fees	39,944	37,203
Meeting expenses	222,358	218,781
Postage and stamp duties	188,675	259,410
Printing and stationery	273,822	334,915
Professional fees	244,085	349,003
Property expenses – note 19	133,798	81,757
Repairs and renewals	117,332	101,844
Salaries and allowances	9,191,957	9,460,058
Social expenses	51,801	55,502
Staff lunch	131,288	122,279
Subscriptions to other medical associations	35,271	24,276
Sundry expenses	166,648	151,049
Telephone and telegrams	57,342	39,752
Travelling expenses	65,791	48,663
Water and electricity	54,212	55,343
Visit to Chinese Medical Association	224,790	-
Lecture and talk expenses	4,410	-
	16,381,017	16,541,809

# NOTES ON THE FINANCIAL STATEMENTS

## 13. SURPLUS/(DEFICIT) FROM ANNUAL SOCIAL FUNCTIONS

	2020	2019
	HK\$	HK\$
Income		
Donations/sponsorship	-	5,000
Sales of dinner tickets	-	174,930
Income from circular/booklet	-	84,000
	-	263,930
Less: Expenditure	(11,080)	(262,826)
(Deficit)/surplus for the year	(11,080)	1,104

## 14. SURPLUS FROM CLUB HOUSE

	2020	2019
	HK\$	HK\$
Sales of beverages	71,262	88,437
Less: Cost of sales	(7,254)	(12,054)
	64,008	76,383
Retention fees	1,419,617	2,097,588
Room rental	126,731	173,075
	1,610,356	2,347,046
Less: Visa card handling charges and coupon used	(92,249)	(131,183)
Surplus for the year	1,518,107	2,215,863

## 15. NET INCOME FROM MAILING SERVICE SECRETARIAL CHARGES

	2020	2019
	HK\$	HK\$
Handling charges	597,733	731,647
Less: Handling fee	(141,707)	(124,596)
Net income	456,026	607,051

## 16. SURPLUS ON CME PROGRAMME FOR NON-SPECIALISTS

	2020	2019
	HK\$	HK\$
Fees and sponsorship received	370,452	397,518
Less: Expenditure	(228,577)	(298,325)
Surplus for the year	141,875	99,193

## 17. DEFICIT ON CME BULLETIN

	2020	2019
	HK\$	HK\$
Advertisement fee received	532,538	744,148
Less: Expenditure	(1,011,916)	(1,082,471)
Deficit for the year	(479,378)	(338,323)



## 18. DEFICIT FROM OTHER FUNCTIONS

	2020	2019
	HK\$	HK\$
Fees and donations received	343,772	628,886
Less: Expenditure	(758,955)	(1,374,444)
<b>Deficit for the year</b>	<b>(415,183)</b>	<b>(745,558)</b>

## 19. PROPERTY EXPENSES

	2020	2019
	HK\$	HK\$
Building management fee	41,040	23,429
Rates and government rent	18,537	17,288
Repairs and maintenance	74,221	41,040
	133,798	81,757

## 20. SURPLUS ON HKMA NEWSLETTER

	2020	2019
	HK\$	HK\$
Advertising income	3,118,980	3,115,530
Less: Expenditure	(1,146,944)	(1,464,711)
<b>Surplus for the year</b>	<b>1,972,036</b>	<b>1,650,819</b>

## 21. COUNCIL MEMBERS' REMUNERATION: HK\$Nil (2019: HK\$Nil).

## 22. TAXATION

- i) No provision for Hong Kong profits tax has been made in these financial statements as the Association sustained a loss for tax purpose for the years ended 29 February 2020 and 28 February 2019.
- ii) The income tax expense for the year can be reconciled to the (deficit)/surplus before taxation per the statement of comprehensive income as follows:

	2020	2019
	HK\$	HK\$
Deficit before taxation	(831,143)	(32,402)
Tax calculated at normal income tax rate of 16.5% (2019: 16.5%)	(137,139)	(5,346)
Tax effect on non-taxable income	(384,555)	(418,993)
Tax effect on non-deductible expenses	215,322	239,602
Tax effect on temporary differences not recognised	(51,188)	(17,463)
Tax loss unrecognised	357,560	202,200
<b>Income tax expense for the year</b>	<b>-</b>	<b>-</b>

- iii) Provision for deferred tax has not been provided in the financial statements as the effect of all temporary differences is not material.

At the end of the reporting period, the Association has unused tax losses of HK\$15,003,192 (2019: HK\$12,822,979) available for offset against future profits. No deferred tax assets has been recognised in respect of such losses due to the unpredictability of future profits streams.

# NOTES ON THE FINANCIAL STATEMENTS

## 23. FUNDS

The amounts of the Association's funds and the movements therein for the current and prior years are presented in the statement of changes in funds on page 10 of the financial statements.

Note: According to a Special Resolution passed on 21 July, 2005, it was resolved that the annual surplus of the Association be transferred to a special account and that when the balance of this special account is sufficient to offset the subscriptions receivable for the following year, an amount equivalent to the subscriptions receivable in that year be transferred from this account to the Annual Subscription account of the relevant year.

The amount of HK\$3,171,657 (2019: HK\$3,810,498) which is included in general fund transferred to special fund and represents as follows:

Annual surplus transferred:

	HK\$
Net surplus for the year ended 29 February 2020	3,171,657

## 24. OPERATING LEASE ARRANGEMENT

The Association leases its investment property under operating lease arrangement. At the end of the reporting period, the Association had total future minimum lease rental receivable under non-cancellable operating lease falling due as follows:

	2020 HK\$	2019 HK\$
- not later than one year	396,000	306,000
- later than one year and not later than five years	297,000	-
	693,000	306,000

## 25. FINANCIAL INSTRUMENTS

### 25A. CATEGORIES OF FINANCIAL INSTRUMENTS

	Financial assets at amortised cost HK\$	2020 Financial assets of fair value through other comprehensive income HK\$	Total HK\$
<b>Financial assets</b>			
Financial asset at fair value through other comprehensive income	-	17,511,378	17,511,378
Utility and other deposits	145,717	-	145,717
Sundry receivables	1,628,067	-	1,628,067
Cash and bank balances	51,803,497	-	51,803,497
	53,577,281	17,511,378	71,088,659
			Financial liabilities at amortised cost HK\$
<b>Financial liabilities</b>			
Amount due to a related company			1,280
Sundry payables and accruals			44,959,947
			44,961,227



## 25. FINANCIAL INSTRUMENTS (CONT'D)

### 25A. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	2019		Total HK\$
	Financial assets at amortised cost HK\$	Financial assets of fair value through other comprehensive income HK\$	
<b>Financial assets</b>			
Financial asset at fair value through other comprehensive income	-	21,954,454	21,954,454
Utility and other deposits	138,069	-	138,069
Sundry receivables	2,183,820	-	2,183,820
Cash and bank balances	47,501,653	-	47,501,653
	49,823,542	21,954,454	71,777,996
			Financial liabilities at amortised cost HK\$
<b>Financial liabilities</b>			
Amount due to a related company			1,385
Sundry payables and accruals			38,717,422
			38,718,807

### 25B. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The main risks arising from the Association's financial instruments are interest rate risk and credit risk and liquidity risk. The Council members reviews and agrees to policies for managing each of these risks and they are summarised below:

#### a) Financial risk factors:

##### 1) Foreign currency risk

The Association is exposed to foreign exchange risk arising from United States dollars and Renminbi ("RMB") exposure. Foreign exchange risk mainly arises from the Association's recognised assets as disclosure in note (9).

Hong Kong dollars are pegged to the United States dollars and the foreign exchange exposure between them are considered limited.

HKD/RMB fluctuated from 1.1753 to 1.117 during the year ended 29 February 2020, resulting in an exchange loss of HK\$1,251,950 (2019: Exchange loss of HK\$1,394,274) (see note 12).

##### Sensitivity analysis

As at 29 February 2020, it is estimated that a general increase/decrease of 5 percent in CNY, with all other variables held constant, would decrease/increase the Association's deficit for the year by approximately HK\$1,198,275 (2019: increase/decrease the Association's surplus for the year by approximately HK\$1,212,278).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Association's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2019.

# NOTES ON THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONT'D)

### 25B. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONT'D)

#### a) Financial risk factors: (cont'd)

##### 2) Credit risk

The Association's maximum exposure to credit risks in the event of the counterparties failure to perform their obligations as at 29 February 2020 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

As at 29 February 2020 and 28 February 2019, the financial assets of the Association that were exposed to credit risk and their maximum exposure were as follows:

	2020		2019	
	Carrying amount in the statement of financial position	Maximum exposure to credit risk	Carrying amount in the statement of financial position	Maximum exposure to credit risk
	HK\$	HK\$	HK\$	HK\$
<b>Financial assets</b>				
Utility and other deposits	145,717	145,717	138,069	138,069
Sundry receivables	1,628,067	1,628,067	2,183,820	2,183,820
Cash and bank balances	51,803,497	51,803,497	47,501,653	47,501,653
	53,577,281	53,577,281	49,823,542	49,823,542

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The Association performs individual evaluations on all customers based on the customer's past payment history when due, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Based on experience, existing market conditions as well as forward looking estimates, management is of the opinion that no charge for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these parties and the balances are still considered fully recoverable. The Association does not hold any collateral over these balances.

##### 3) Liquidity risk

The Association's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Association's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Association can be required to pay:

	2020		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$
<b>Current liabilities</b>			
Amount due from a related company	1,280	(1,280)	(1,280)
Sundry payables and accruals	44,959,947	(44,959,947)	(44,959,947)
	44,961,227	(44,961,227)	(44,961,227)





## 25. FINANCIAL INSTRUMENTS (CONT'D)

### 25B. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONT'D)

#### a) Financial risk factors: (cont'd)

##### 3) Liquidity risk (cont'd)

	2019		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK\$	HK\$	HK\$
<b>Current liabilities</b>			
Amount due from a related company	1,385	(1,385)	(1,385)
Sundry payables and accruals	38,717,422	(38,717,422)	(38,717,422)
	38,718,807	(38,718,807)	(38,718,807)

##### 4) Price risk

The Association is exposed to equity security price risk on fair value through other comprehensive income and available-for-sale financial assets. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in stock price. The Association's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange in Hong Kong. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

##### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

The following denominates the sensitivity to every 5% change in the fair values of listed equity securities classified as fair value through other comprehensive income and available-for-sale financial assets with all other variable held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

- Fair value reserve (2019: fair value reserve) of the Association for the year would increase/decrease by HK\$875,569 (2019: HK\$1,097,723).

#### b) Fair value:

##### i) Financial assets and liabilities measured at fair value

The following table presents fair value of Association's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-levels fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuation: fair values measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at measurement date.
- Level 2 valuation: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1 and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuation: fair values measured using significant unobservable inputs.

	Fair value measurements as at 29 February			Total fair value at 29 February	Valuation technique and key input
	Level 1	Level 2	Level 3		
	HK\$	HK\$	HK\$	HK\$	
<b>2020 Assets</b>					
Financial assets at FVOCI	17,511,378	-	-	17,511,378	Quoted bid price in an active market

# NOTES ON THE FINANCIAL STATEMENTS

## 25. FINANCIAL INSTRUMENTS (CONT'D)

### 25B. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (CONT'D)

#### b) Fair value: (cont'd)

##### i) Financial assets and liabilities measured at fair value (cont'd)

	Fair value measurements as at 28 February			Total fair value at 28 February HK\$	Valuation technique and key input
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$		
<b>2019 Assets</b>					
Available-for-sale financial assets	21,954,454	-	-	21,954,454	Quoted bid price in an active market

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

##### ii) Fair values of financial instruments carried at other than fair value

The council members consider that all of the other financial assets and liabilities are carried at amounts not materially different from their fair values as at 29 February 2020 and 28 February 2019.

## 26. RELATED PARTY TRANSACTIONS

- Key management personnel compensation: HK\$Nil (2019: HK\$Nil).
- Details of balance with a related company are set out in note 10 on the financial statements.

## 27. FUND MANAGEMENT

The Association's objectives when managing fund are:

- To safeguard the Association's ability to continue as a going concern, so that it continues to provide benefit for members;
- To support the Association's stability and growth; and
- To provide fund for the purpose of strengthening the Association's risk management capability.

The Association actively and regularly reviews and manages its fund structure to ensure optimal fund structure, taking into consideration the future fund requirements of the Association and prevailing and projected profitability and projected operating cash flows. Details of movements in funds are set out in note (23) on the financial statements.

## 28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 29 FEBRUARY 2020

Up to the date of issue of these financial statements, the Hong Kong Institute of Certified Public Accountants has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 29 February 2020 and which have not been adopted in these financial statements.

The Association is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Association's financial performance and position.

# 香港醫學會

一九二零年成立  
一九六零年註冊  
擔保有限公司檔案編號 6030

亞洲及大洋洲醫學聯會  
世界醫學會  
會員

香港醫學組織聯會  
創會會員

聯繫機構  
香港醫學會慈善基金  
二零零六年成立及註冊

## The Hong Kong Medical Association

Founded in 1920  
Incorporated in 1960  
A company limited by guarantee Companies Registry File No. 6030

**Member of**  
Confederation of Medical Associations in Asia & Oceania  
World Medical Association

**Founder Member of**  
The Federation of Medical Societies of Hong Kong

**Associated Company**  
The Hong Kong Medical Association Charitable Foundation  
Founded and incorporated in 2006

香港醫學會

**The Hong Kong Medical Association**

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