KPMG

The Hong Kong Association of Property Management Companies Limited

香港物業管理公司協會有限公司

31 December 2018

Report of the Council

The Council submits herewith its annual report together with the audited financial statements for the year ended 31 December 2018.

Principal place of business

The Hong Kong Association of Property Management Companies Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 2008-2010, 20/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong.

Principal activities

The company's objectives are to establish, improve and maintain standards for the professional management of land and buildings in Hong Kong.

Council members

The following members held office during the year and up to the date of this report were:

Chan Chi Kau, Johnnie Casire	
Cheng Kam Wah	
Kam Siu Lam, Angel	
Kwan Chi Wah	
Kwong Ching Wai	
Lee Chun Lai	
Lo Kit Fong	
Ng Fuk Wah	
Suen Kwok Lam	
Tam Kwok Wing	
Wong Kai Sang	
Wong Ying Kit	
Chan Shing Wai	(appointed on 4 January 2018)
Ng Kwong Ming, Paul	(appointed on 4 January 2018)
Lin Hui Jun	(appointed on 26 April 2018)
Wong Hiu Kwan	(appointed on 1 September 2018)
Lai Hon Ming	(appointed on 26 March 2019)
Chow Chun Ling	(resigned on 4 January 2018)
Simon Sham	(resigned on 4 January 2018)
Wong Man Lung	(resigned on 4 January 2018)
Yeung Man Kai	(resigned on 1 September 2018)
Tu Sik Man	(resigned on 26 March 2019)

In accordance with article 57 of the company's articles of association, all Council members retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Council members' interests in transactions, arrangements or contracts

No contract of significance to which the company was a party and in which a Council member had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the company a party to any arrangement to enable the Council members to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Auditor

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as honorary auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the Council

For and on behalf of
THE HONG KONG ASSOCIATION OF PROPERTY MANAGEMENT COMPANIES LIMITED
香港物業管理公司協會有限公司

....
Authorized Signature(s)

Hong Kong,
22 JUL 2019

KPMG

Independent auditor's report to the members of The Hong Kong Association of Property Management Companies Limited

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of The Hong Kong Association of Property Management Companies Limited (the "company") set out on pages 6 to 22, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in members' fund and the cash flow statement 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 company as at 31 December 2018 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company 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 Council members are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

Independent auditor's report to the members of The Hong Kong Association of Property Management Companies Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Responsibilities of the Council members for the financial statements

The Council members 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 Council members determine are 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 company'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 company 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. 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 judgement and maintain professional scepticism 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 company's internal control.

Independent auditor's report to the members of The Hong Kong Association of Property Management Companies Limited (continued)

(Incorporated in Hong Kong and limited by guarantee)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 company'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 company 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 Council members 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.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

2 2 JUL 2019

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	*2018*	*2017*
Income			
Annual subscription fees		$ 873,000	$ 858,750
Admission fees		5,000	7,500
Income from annual dinner		1,635,920	794,250
Annual registration fees		351,000	346,500
Year book advertising income		438,000	448,000
Interest income		412	100
Sundry income		510,394	181,371
		$ 3,813,726	$ 2,636,471
Expenditure			
Annual dinner expenses		$ (1,289,769)	$ (1,213,076)
Staff costs	4(a)	(710,448)	(663,986)
Share costs for joint office		(363,920)	(291,776)
Expenditure on association events		(467,618)	(244,213)
Sponsorship		(119,520)	(79,966)
Year book printing expenses		(98,463)	(138,500)
Printing		(25,380)	(25,672)
Public relations		(61,200)	(82,584)
Professional fees		-	(12,600)
Spring cocktail		(149,975)	(34,512)
Depreciation		(42,515)	(77,005)
Sundry expenses		(94,825)	(90,245)
		$ (3,423,633)	$ (2,954,135)
Surplus/(deficit) before taxation	4	$ 390,093	$ (317,664)
Income tax	5(a)	-	-
Surplus/(deficit) and total comprehensive income for the year		$ 390,093	$ (317,664)

The notes on pages 10 to 22 form part of these financial statements.

Statement of financial position at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018	2017
Non-current asset			
Property, plant and equipment	6	$ 24,902	$ 66,719
Current assets			
Deposits and prepayments	7	$ 132,826	$ 128,720
Cash at bank and in hand		851,607	423,803
		$ 984,433	$ 552,523
Net current assets		$ 984,433	$ 552,523
Net assets		$ 1,009,335	$ 619,242
Represented by:			
Members' fund	8	$ 1,009,335	$ 619,242

Approved and authorised for issue by the Council on 22 JUL 2019

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) Council members
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For and on behalf of
THE HONG KONG ASSOCIATION OF PROPERTY MANAGEMENT COMPANIES LIMITED
香港物業管理公司協會有限公司

Authorized Signature(s)

The notes on pages 10 to 22 form part of these financial statements.

Statement of changes in members' fund for the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Members' fund
Balance at 1 January 2017	$ 936,906
Change in members' fund for 2017:	
Deficit and total comprehensive income for the year	(317,664)
Balance at 31 December 2017 and 1 January 2018	$ 619,242
Change in members' fund for 2018:	
Surplus and total comprehensive income for the year	390,093
Balance at 31 December 2018	$ 1,009,335

The notes on pages 10 to 22 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018	2017
Operating activities		
Surplus/(deficit) before taxation	$ 390,093	$ (317,664)
Adjustments for:		
Interest income	(412)	(100)
Depreciation	42,515	77,005
Operating surplus/(deficit) before changes in working capital	$ 432,196	$ (240,759)
Increase in deposits and prepayments	(4,106)	(25,283)
Decrease in payables and accruals	-	(267,901)
Net cash generated from/(used in) operating activities	$ 428,090	$ (533,943)
Investing activities		
Payments for purchase of property, plant and equipment	$ (698)	$ (18,080)
Interest received	412	100
Net cash used in investing activities	$ (286)	$ (17,980)
Net increase/(decrease) in cash and cash equivalents	$ 427,804	$ (551,923)
Cash and cash equivalents at 1 January	423,803	975,726
Cash and cash equivalents at 31 December	$ 851,607	$ 423,803

Cash and cash equivalents represented cash at bank and in hand in the statement of financial position.

The notes on pages 10 to 22 form part of these financial statements.

Notes to the financial statements
(Expressed in Hong Kong dollars)

1 Status of the company

(a) The company is limited by guarantee. Under this guarantee, each member undertakes to contribute to the assets of the company, in the event that it is wound up during the time that he is a member or within one year of ceasing to be a member, for the payment of debts and liabilities of the company contracted before he ceases to be a member, and for the expenses of the winding up of the company, such amount as may be required up to a maximum of $1,000.

(b) The company's objectives are to establish, improve and maintain standards for the professional management of land and buildings in Hong Kong.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The measurement basis used in the preparation of the financial statements is the historical cost basis.

(ii) 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 an ongoing 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.

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the company. Of these, the following developments are relevant to the company's financial statements:

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The adoption of HKFRS 9 has no significant impact on the company's financial statements.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts. The adoption of HKFRS 15 does not have significant impact on the amount and timing the company recognises income.

The company has not applied any new standards or interpretation that is not yet effective for the current accounting period.

2 Significant accounting policies (continued)

(d) Property, plant and equipment

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

Depreciation is calculated to write off the cost of property, plant and equipment using the straight line method over their estimated useful lives as follows:

– Leasehold improvements	3 years
– Furniture and fixtures	5 years
– Computer equipment	3 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at the end of each reporting period. 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. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, 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 assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(e) Receivables

A receivable is recognised when the company 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 company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

(A) Policy applicable from 1 January 2018

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

In measuring ECLs, the company 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.

2 Significant accounting policies (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade 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 company'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 company 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 low allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the company 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 company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The company 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the company.

2 Significant accounting policies (continued)

Depending on the nature of the financial instruments, 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.

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Impairment losses were recognised when there was objective evidence of impairment and were measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting was material. Objective evidence of impairment included observable data that came to the attention of the company about events that had an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

When the recovery of a trade debtor or other receivable was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the company was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(e)(A).

2 Significant accounting policies (continued)

(g) Payables

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

(h) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans 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.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, 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 respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all 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 recognised is measured 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.

(j) Provisions and contingent liabilities

Provisions are recognised when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure 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.

2 Significant accounting policies (continued)

(k) Income recognition

Revenue is recognised when control over service is transferred to the customer, at the amount of promised consideration to which the company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts.

Further details of the company's revenue and other income recognition policies are as follows:

(i) Annual registration and subscription fees, admission fees, income from the annual dinner, advertising income from the year book and sundry income are accounted for on an accrual basis and are recognised when no significant uncertainty as to their collectability exists.

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

(l) Operating leases

Leases of assets under which the lessor has not transferred substantially all the risks and rewards of ownership to the company are classified as operating leases. Where the company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Related parties

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

   (i) has control or joint control over the company;

   (ii) has significant influence over the company; or

   (iii) is a member of the key management personnel of the company or the company's parent.

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

   (i) The entity and the company 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.

2 Significant accounting policies (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

(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 members of a group of which it is a part, provides key management personnel services to the company or the company'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.

3 Council members' emoluments

Council members' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018	*2017*
Fees	$ -	$ -
Salaries, allowances and benefits in kind	-	-
Discretionary bonuses	-	-
Retirement scheme contributions	-	-
	$ -	$ -

4 Surplus/(deficit) before taxation

Surplus/(deficit) before taxation is arrived after charging:

(a) Staff costs

	2018	*2017*
Contributions to defined contribution retirement plan	$ 31,260	$ 29,770
Salaries, wages and other benefits	679,188	634,216
	$ 710,448	$ 663,986

(b) Other items

Depreciation	$ 42,515	$ 77,005
Operating lease charges: minimum lease payments	251,409	215,494
Auditors' remuneration	-	-

5 Income tax

(a) *Taxation in the statement of profit or loss and other comprehensive income*

In 2018, no provision was made for Hong Kong Profits Tax as the accumulated tax losses brought forward from prior year exceeded the estimated assessable profits of the company.

In 2017, no provision for Hong Kong Profits Tax has been made as the company sustained a loss for taxation purpose.

(b) *Reconciliation between taxation and surplus/(deficit) before taxation at applicable tax rate:*

	2018	2017
Surplus/(deficit) before taxation	$ 390,093	$ (317,664)
Notional tax on surplus/(deficit) before taxation calculated at 16.5% (2017:16.5%)	$ 64,365	$ (52,415)
Tax effect of non-taxable income	(68)	(17)
Tax effect of temporary differences not recognised	5,147	7,978
Tax effect of unrecognised tax losses utilised	(69,444)	-
Tax effect of unused tax losses not recognised	-	44,454
Actual taxation	$ -	$ -

(c) *Deferred tax assets not recognised*

The company has not recognised deferred tax assets of $58,619 (2017: $122,917) in respect of unused tax losses of $231,600 (2017: $658,257) and deductible temporary difference of $123,668 (2017: $86,692) as it is not probable that future taxable profits against which the assets can be utilised will be available.

6 Property, plant and equipment

	Leasehold improvements	*Furniture and fixtures*	*Computer equipment*	*Total*
Cost:				
At 1 January 2017	$ 156,272	$ 70,008	$ 116,210	$ 342,490
Addition	-	-	18,080	18,080
At 31 December 2017	$ 156,272	$ 70,008	$ 134,290	$ 360,570
At 1 January 2018	$ 156,272	$ 70,008	$ 134,290	$ 360,570
Addition	-	-	698	698
At 31 December 2018	$ 156,272	$ 70,008	$ 134,988	$ 361,268
Accumulated depreciation:				
At 1 January 2017	$ (86,031)	$ (33,112)	$ (97,703)	$ (216,846)
Charge for the year	(51,570)	(11,066)	(14,369)	(77,005)
At 31 December 2017	$ (137,601)	$ (44,178)	$ (112,072)	$ (293,851)
At 1 January 2018	$ (137,601)	$ (44,178)	$ (112,072)	$ (293,851)
Charge for the year	(18,671)	(11,067)	(12,777)	(42,515)
At 31 December 2018	$ (156,272)	$ (55,245)	$ (124,849)	$ (336,366)
Net book value:				
At 31 December 2018	$ -	$ 14,763	$ 10,139	$ 24,902
At 31 December 2017	$ 18,671	$ 25,830	$ 22,218	$ 66,719

7 Deposits and prepayments

Except for the balance of $48,621 (2017: $48,621), all of the remaining balance of deposits and prepayments are expected to be recovered or recognised an expense within one year.

8 Members' fund

(a) The only component of the company's fund is the members' fund. The reconciliation between the opening and closing balances of the members' fund is set out in the statement of changes in members' fund.

(b) Capital management

The company's primary objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to manage the company and the matters incidental to or connected with the company's principal activities.

The company defines "capital" as the members' fund maintained by the company. The company actively and regularly reviews and manages its capital structure to ensure effective use of the members' fund and sound financial status of the company. The company's overall capital management strategy remains unchanged from prior year.

9 Financial risk management and fair values of financial instruments

The company's activities expose it to credit risk and liquidity risk. The company's exposure to these risks and the financial risk management policies and practices used by the company to manage these risks are described below.

(a) Credit risk

The company's credit risk is primarily attributable to deposits and prepayments, and cash at bank. The company has a defined credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The company's exposure to credit risk arising from deposits and prepayments is considered limited and the company's cash at bank is placed with a major financial institution with sound credit rating.

At the end of the reporting period, the company does not hold any other assets which are exposed to significant credit risk.

(b) Liquidity risk

The company regularly monitors its current and future funding requirements. The company maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Fair values of financial instruments

The carrying amounts of the company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2018 and 2017.

10 Operating lease commitment

At 31 December 2018, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2018	*2017*
Within one year	$ 258,593	$ 251,409
After one year but within five years	301,691	560,284
	$ 560,284	$ 811,693

The company leases a property under an operating lease. The lease runs for a period of six years. The lease does not include contingent rental.

11 Material related party transactions

The company did not enter into any material related party transactions during the years ended 31 December 2018 and 2017.

12 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in the financial statements. These include the following which may be relevant to the company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The company is in the process of making an assessment of what the impact of the abovementioned new standard is expected to be in the period of initial application. So far the company has identified some aspects of HKFRS 16 which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the company, and further impacts may be identified before the standard is initially applied in the company's financial statements for the year ending 31 December 2019. The company may also change its accounting policy elections, including the transition options, until the standard is initially applied in the financial statements.

12 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (continued)

HKFRS 16, *Leases*

Once HKFRS 16 is adopted, the company will no longer distinguish between finance leases and operating leases when it is lessee under the lease. Instead, subject to practical expedients, the company will be required to account for all lease of more than 12 months in a similar way to current finance lease accounting.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The company plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 10, at 31 December 2018 the company's future minimum lease payments under non-cancellable operating leases amount to $560,284, $301,691 of which is payable between 1 and 5 years after the reporting date. Upon the initial adoption of HKFRS 16,the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted after taking account the effects of discounting as at 1 January 2019.