

**THE HONG KONG INSTITUTE OF  
ARCHITECTS**  
**香港建築師學會**

**COUNCIL'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2025**

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**COUNCIL'S REPORT**

The Council presents their report and the annual consolidated financial statements of The Hong Kong Institute of Architects ("the Institute") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 March 2025.

**PRINCIPAL ACTIVITIES**

The principal activities of the Institute are holding of meetings, lectures, trainings, workshops, conferences, symposium, examinations, exhibitions, competitions, accreditation of architectural programs, provision of professional views to the Government and general public on planning, architectural and urban design issues, sustainability, heritage conservation, statutory control, etc., and liaison and collaboration with mainland and overseas professional institutions and Government, and upholding of professional conduct of members.

The activities of the Institute's subsidiaries are set out in note 10 to the consolidated financial statements.

**RESULTS**

The results of the Group for the year ended 31 March 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 8 of the consolidated financial statements.

**COUNCIL AND OFFICE BEARERS**

The Council and office bearers of the Institute during the year and up to the date of this report were:

Ms. Lau Man Kwan Julia	(President)	(Since 1 January 2025)
Mr. Chan Chak Bun, Benny	(President)	(Up to 31 December 2024)
Ms. Lau Sing Yeung, Sunnie	(Vice President)	(Since 1 January 2025)
Mr. Poon Ho Lun, Allen	(Vice President)	(Since 1 January 2025)
Ms. Lau Man Kwan, Julia	(Vice President)	(Up to 31 December 2024)
Mr. Lu Hing Yiu Bryant	(Vice President)	(Up to 31 December 2024)
Mr. Ho Kin Wai Stephen	(Honorary Secretary)	(Since 1 January 2025)
Mr. Cheung Kong Yeung, Thomas	(Honorary Secretary)	(Up to 31 December 2024)
Mr. Cheung Kwok Lun, Alan	(Honorary Treasurer)	(Since 1 January 2025)
Mr. Poon Ho Lun, Allen	(Honorary Treasurer)	(Up to 31 December 2024)
Mr. Chan Cho Sing, Joel	(Council Member)	
Mr. Chan Chuen Chi, Simon	(Council Member)	
Ms. Chan Chui Yi, Corrin	(Council Member)	(Up to 31 December 2024)
Mr. Chan Chung Yee, Albert	(Council Member)	
Mr. Cheng Chi Chung, Anthony	(Council Member)	(Since 1 January 2025)
Mr. Cheung Hoi Fo, Jackey	(Council Member)	
Ms. Cheung Wing Man, Vivian	(Council Member)	(Since 1 January 2025)
Ms. Chow Ka Wing, Rachel	(Council Member)	(Up to 31 December 2024)
Mr. Hai Tuen Tai, Freddie	(Council Member)	
Mr. Hui Wan Heng, Simon	(Council Member)	(Since 1 January 2025)
Ms. Jeong In Leng, Yvonne	(Council Member)	(Up to 31 December 2024)
Dr. Ip Chung Man, Tony	(Council Member)	(Up to 31 December 2024)

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**COUNCIL'S REPORT (continued)**

Ms. Kee Yee Chun, Tristance	(Council Member)	
Ms. Lau Sing Yeung, Sunnie	(Council Member)	(Up to 31 December 2024)
Ms. Leung Hay Lin, Helen	(Council Member)	(Up to 31 December 2024)
Mr. Lo Yee Cheung, Adrian	(Council Member)	(Since 1 January 2025)
Mr. Mui Kui Chuen, Paul	(Council Member)	(Up to 31 December 2024)
Ms. Poon Chi Mei, Anika	(Council Member)	(Since 1 January 2025)
Mr. Tho Hong Nin, Stanley	(Council Member)	(Since 1 January 2025)
Mr. Tong Hui Ching	(Council Member)	(Since 1 January 2025)
Mr. Tung Jing Kong, Jeff	(Council Member)	(Since 1 January 2025)
Mr. Yu Franklin	(Council Member)	(Up to 31 December 2024)
Mr. Chan Chak Bun, Benny	(Immediate Past President)	(Since 1 January 2025)
Mr. Choi Wun Hing, Donald	(Immediate Past President)	(Up to 31 December 2024)

**HONORARY AUDITORS**

The honorary auditors of the Institute during the year and up to the date of this report were:

Mr. Li Kwok Hing, Felix  
Mrs. Lam Yu Ka Wai, Sylvia

**COUNCIL'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No transaction, arrangement or contract of significance to which the Institute, or any of its subsidiaries was a party, and in which a council member of the Institute had a material interest, subsisted at the end of the year or at any time during the year.

**MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

**AUDITORS**

The financial statements have been audited by Katon CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution to reappoint Katon CPA Limited as auditors of the Institute will be proposed at the forthcoming annual general meeting.

On behalf of the Council

Lau Man Kwan Julia  
President

Hong Kong, [ Date ]

**STATEMENT BY THE HONORARY AUDITORS TO THE MEMBERS OF**

**THE HONG KONG INSTITUTE OF ARCHITECTS**

**香港建築師學會**

(Registered under the Hong Kong Institute of Architects Incorporation Ordinance)

We have reviewed the accompanying consolidated financial statements of The Hong Kong Institute of Architects together with the Council's and the Auditor's reports for the year ended 31 March 2025 and confirm that, in accordance with the Rule 48 of "The Rules of the Institute", we approve the financial statements and reports referred to above.

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Li Kwok Hing Felix  
Honorary Auditor

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Lam Yu Ka Wai Sylvia  
Honorary Auditor

Hong Kong, [ Date ]

## **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF**

### **THE HONG KONG INSTITUTE OF ARCHITECTS**

**香港建築師學會**

(Registered under the Hong Kong Institute of Architects Incorporation Ordinance)

#### **Opinion**

We have audited the consolidated financial statements of The Hong Kong Institute of Architects (“the Institute”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 8 to 42, which comprise the consolidated statement of financial position as at 31 March 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in reserves and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2025 and of its consolidated financial performance and its consolidated 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 Institute of Architects Incorporation 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 Consolidated Financial Statements and Auditor’s Report Thereon**

The Council and the Honorary Auditors are responsible for the other information. The other information comprises the information included in the Council’s report set out on pages 1 to 2 and the statement by the Honorary Auditors set out on page 3, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

(To be continued)

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **THE HONG KONG INSTITUTE OF ARCHITECTS**

**香港建築師學會**

(Registered under the Hong Kong Institute of Architects Incorporation Ordinance)

(Continued)

#### **Responsibilities of Council and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, the Council is responsible for assessing the Group'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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Rule 64 of "The Rules of the Institute", 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 HKSAAs 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 consolidated financial statements.

(To be continued)

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **THE HONG KONG INSTITUTE OF ARCHITECTS**

**香港建築師學會**

(Registered under the Hong Kong Institute of Architects Incorporation Ordinance)

(Continued)

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

(To be continued)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

**THE HONG KONG INSTITUTE OF ARCHITECTS**

**香港建築師學會**

(Registered under the Hong Kong Institute of Architects Incorporation Ordinance)

(Continued)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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.

Katon CPA Limited  
Certified Public Accountants  
Hong Kong  
Date: [ Date ]

Shea Wai Kin  
Practising Certificate Number P05184

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	Notes	2025 HK\$	2024 HK\$
<b>Revenue</b>	4	22,883,841	25,323,779
Costs			
Functions costs		(6,572,050)	(10,155,251)
Lecture and examination costs		<u>(3,386,734)</u>	<u>(2,594,755)</u>
<b>Gross profit</b>		12,925,057	12,573,773
Other income	4	2,019,656	2,133,678
Employment costs	5	(9,387,631)	(9,202,687)
Other operating and administrative expenses	6	<u>(6,144,737)</u>	<u>(5,785,367)</u>
<b>Deficit from operations</b>		(587,655)	(280,603)
Finance cost	7	<u>(128,707)</u>	<u>(279,283)</u>
<b>Deficit for the year</b>		<u>(716,362)</u>	<u>(559,886)</u>
<b>Other comprehensive income</b>			
Item that will not be reclassified subsequently to profit or loss:			
- Change in fair value of financial assets at fair value through other comprehensive income		<u>2,380,764</u>	<u>155,390</u>
Other comprehensive income for the year		<u>2,380,764</u>	<u>155,390</u>
<b>Total comprehensive income/(expense) for the year</b>		<u><u>1,664,402</u></u>	<u><u>(404,496)</u></u>

**THE HONG KONG INSTITUTE OF ARCHITECTS****香港建築師學會****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES****FOR THE YEAR ENDED 31 MARCH 2025**

	General reserves HK\$	Investments revaluation reserve HK\$	Capital fund HK\$	Sinking fund HK\$	Retained surplus HK\$	Total HK\$
<b>At 1 April 2023</b>	334,761	3,599,240	11,752,896	600,000	53,097,702	69,384,599
	-----	-----	-----	-----	-----	-----
Surplus for the year	0	0	0	0	(559,886)	(559,886)
Other comprehensive expense for the year	0	155,390	0	0	0	155,390
	-----	-----	-----	-----	-----	-----
<b>Total comprehensive income/(expense) for the year</b>	0	155,390	0	0	(559,886)	(404,496)
Donation from members and students	8,840	0	100	0	0	8,940
Transfer from investments revaluation reserve to retained surplus	0	245,502	0	0	(245,502)	0
Transfer from retained surplus to sinking fund	0	0	0	50,000	(50,000)	0
	8,840	400,892	100	50,000	(855,388)	(395,556)
	-----	-----	-----	-----	-----	-----
<b>At 31 March 2024</b>	343,601	4,000,132	11,752,996	650,000	52,242,314	68,989,043
	=====	=====	=====	=====	=====	=====

**THE HONG KONG INSTITUTE OF ARCHITECTS**

香港建築師學會

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES (continued)****FOR THE YEAR ENDED 31 MARCH 2025**

	General reserves HK\$	Investments revaluation reserve HK\$	Capital fund HK\$	Sinking fund HK\$	Retained surplus HK\$	Total HK\$
<b>At 1 April 2024</b>	343,601	4,000,132	11,752,996	650,000	52,242,314	68,989,043
	-----	-----	-----	-----	-----	-----
Deficit for the year	0	0	0	0	(716,362)	(716,362)
Other comprehensive income for the year	0	2,380,764	0	0	0	2,380,764
	-----	-----	-----	-----	-----	-----
<b>Total comprehensive income/(expense) for the year</b>	0	2,380,764	0	0	(716,362)	1,664,402
Donation from members and students	13,960	0	3,000	0	0	16,960
Transfer from retained surplus to sinking fund	0	0	0	50,000	(50,000)	0
	-----	-----	-----	-----	-----	-----
	13,960	2,380,764	3,000	50,000	(766,362)	1,681,362
	-----	-----	-----	-----	-----	-----
<b>At 31 March 2025</b>	357,561	6,380,896	11,755,996	700,000	51,475,952	70,670,405
	=====	=====	=====	=====	=====	=====

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2025**

	Notes	HK\$	2025 HK\$	2024 HK\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	1,012,142		1,623,869
Right-of-use assets	12	739,728		3,375,721
Other financial assets	13	<u>44,283,930</u>		<u>41,903,166</u>
			46,035,800	<u>46,902,756</u>
<b>Current assets</b>				
Inventories - Finished goods		5,659		5,659
Trade and other receivables	14	9,429,897		8,691,570
Amount due from a related company	15	1,343,820		2,319,591
Bank balances and cash		<u>25,435,626</u>		<u>25,804,408</u>
			36,215,002	<u>36,821,228</u>
<b>TOTAL ASSETS</b>			<u>82,250,802</u>	<u>83,723,984</u>
<b>RESERVES AND LIABILITIES</b>				
<b>Members' funds</b>				
General reserves	17	357,561		343,601
Investments revaluation reserve		6,380,896		4,000,132
Capital fund		11,755,996		11,752,996
Sinking fund		700,000		650,000
Retained surplus		<u>51,475,952</u>		<u>52,242,314</u>
			70,670,405	<u>68,989,043</u>
<b>Non-current liabilities</b>				
Lease liabilities	19		0	<u>797,837</u>
<b>Current liabilities</b>				
Lease liabilities	19	832,879		3,036,336
Trade and other payables	20	<u>10,747,518</u>		<u>10,900,768</u>
			11,580,397	<u>13,937,104</u>
<b>TOTAL RESERVES AND LIABILITIES</b>			<u>82,250,802</u>	<u>83,723,984</u>

Approved by the Council on [ Date ].

\_\_\_\_\_  
Lau Man Kwan Julia  
President

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Cheung Kwok Lun Alan  
Honorary Treasurer

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

	2025 HK\$	2024 HK\$
<b>Operating activities</b>		
Operating deficit	(716,362)	(559,886)
Adjustments for:		
Depreciation on owned property, plant and equipment	685,227	718,934
Depreciation on right-of-use assets	2,705,180	2,703,603
Finance cost	128,707	279,283
Interest income	(432,945)	(276,939)
Donation from members and students recognised in reserves	16,960	8,940
Operating cash flows before movements in working capital	2,386,767	2,873,935
(Increase)/Decrease in assets:		
Trade and other receivables	(738,327)	4,220,536
Amount due from a related company	975,771	(169,814)
Increase/(Decrease) in liabilities:		
Trade and other payables	(153,250)	(4,811,009)
<b>Net cash from operating activities</b>	2,470,961	2,113,648
<b>Investing activities</b>		
Interest received	432,945	276,939
Proceeds on disposals of other financial assets	0	9,782,215
Purchases of property, plant and equipment	(73,500)	(152,453)
<b>Net cash from investing activities</b>	359,445	9,906,701
<b>Financing activities</b>		
Lease payments	(3,199,188)	(3,158,572)
<b>Net cash used in financing activities</b>	(3,199,188)	(3,158,572)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(368,782)	8,861,777
<b>Cash and cash equivalents at the beginning of the year</b>	25,804,408	16,942,631
<b>Cash and cash equivalents at the end of the year</b>	25,435,626	25,804,408
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	25,435,626	25,804,408

**THE HONG KONG INSTITUTE OF ARCHITECTS**  
**香港建築師學會**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**1 GENERAL**

The Institute is registered under the Hong Kong Institute of Architects Incorporation Ordinance for the general advancement of Civil Architecture and for promoting and facilitating the acquisition of the knowledge of the various Arts and Sciences connected therewith.

The principal activities of the Institute are holding of meetings, lectures, trainings, workshops, conferences, symposium, examinations, exhibitions, competitions, accreditation of architectural programs, provision of professional views to the Government and general public on planning, architectural and urban design issues, sustainability, heritage conservation, statutory control, etc., and liaison and collaboration with mainland and overseas professional institutions and Government, and upholding of professional conduct of members.

The activities of the Institute's subsidiaries are set out in note 10 to the consolidated financial statements.

The address of its registered office is 19/F., One Hysan Avenue, Causeway Bay, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (HK\$), unless otherwise stated.

**2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Adoption of amended HKFRSs**

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these has a significant effect on the consolidated financial statements of the Group.

**(b) Amendments to HKFRSs that have been issued but are not yet effective**

The Group has not early adopted any amendments to HKFRSs that are not yet effective for the current accounting period.

Initial assessment has indicated that the adoption of the amendments to HKFRSs would not have a significant impact on the Group's consolidated financial statements in the year of initial application.

**(c) New guidance on accounting for the MPF-LSP offsetting mechanism**

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (‘the Amendment Ordinance’) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund (‘MPF’) scheme to offset severance payment and long service payments (‘LSP’) (‘the Abolition’). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025.

In July 2023, the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (‘the Guidance’) to provide guidance to account for the offsetting mechanism and the Abolition.

For the years ended 31 March 2024 and 2025, the Group's LSP liability after the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

**(b) Basis of preparation of the consolidated financial statements**

The consolidated financial statements have been prepared under the accrual basis of accounting and on the basis that the Group is a going concern.

The measurement base adopted in the preparation of these consolidated financial statements is historical cost convention except for certain properties and financial instruments, which are measured at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 recognized 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.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**(c) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Institute and entities controlled by the Institute and its subsidiaries. Control is achieved when the Institute:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Basis of consolidation (continued)**

When assessing whether the Institute has power, only substantive rights are considered. Control is reassessed whenever facts and circumstances indicate that there may be change in any of three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the Institute's statement of financial position, the investment in subsidiaries are stated at cost less any impairment losses.

**(d) Property, plant and equipment**

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives at the following annual rates:

Leasehold improvements	25%
Furniture, fixtures and office equipment	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

**(e) Financial instruments**

**(i) Classification of financial assets**

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"). 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial instruments (continued)**

**(i) Classification of financial assets (continued)**

Non-equity financial assets held by the Group are classified into one of the following measurement categories:

- amortized cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;
- FVOCI (recycling), if the contractual cash flows of the financial asset comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the financial asset does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the financial asset (including interest) are recognized in profit or loss.

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

**(ii) Impairment of financial assets - Measurement of expected credit losses ("ECLs")**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial instruments (continued)**

**(ii) Impairment of financial assets - Measurement of ECLs (continued)**

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 Group'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 assets, the Group recognizes a loss allowance of financial assets equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group 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 Group considers that a default event occurs in certain circumstances including the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The Group 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 Group.

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 recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial instruments (continued)**

**(ii) Impairment of financial assets - Measurement of ECLs (continued)**

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

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

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 recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**(iii) Classification of financial liabilities**

Financial liabilities of the Group are classified as subsequently measured at amortised cost.

**(f) Impairment losses on tangible and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Impairment losses on tangible and intangible assets (continued)**

When an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

**(g) Inventories**

Inventories consist mainly of standard contract forms, Standard Form of Building Contract, Form of Tender which are stated at the lower of cost or net realisable value. Cost includes direct costs of purchases and incidental costs in bringing the inventory to their present location and condition. Net realisable value is based on anticipated selling price less all further costs to be incurred prior to sale.

**(h) Leasing**

Accounting as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

**(i) Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise:

- the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Leasing (continued)**

Accounting as lessee (continued)

**(i) Right-of-use asset (continued)**

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

**(ii) Lease liabilities**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-of-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability.

Subsequent to the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, such as a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Leasing (continued)**

Accounting as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**(i) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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 expenditures expected to settle the obligation.

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

**(j) Revenue and other income**

The Group recognizes revenue from contracts with customers when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Group recognizes as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation.

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

- (i) Members' entrance and subscription fees are recognised to the extent of cash received. Annual subscription fees are accrued on a time basis.
- (ii) Revenue from exhibitions and other functions are recognised when the exhibitions and the functions are held.
- (iii) Lecture and examination fees are recognised when the lecture and the examination are held.
- (iv) Revenue from sales of publications and advertisement is recognised when the publications are sold and advertisements are published.
- (v) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the interest applicable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Revenue and other income (continued)**

- (vi) Revenue from sales of goods are recognised when the goods are delivered and title has passed.
- (vii) Service income is recognised when services are rendered.
- (viii) Sponsorship income is accounted for when the right to receive payment is established.
- (ix) Sundry income is recognized on an accrual basis.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

HKFRS 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for contract assets and contract liabilities, provided that sufficient information is available for a financial statements user to distinguish between receivables and contract assets, payables and contract liabilities. The Group does not have any significant contract asset and continues to use the term “deposits and receipt in advance” instead of contract liability in the financial statements.

**(k) Government grants**

Government grants are recognized as income over periods necessary to match them with the related costs they are intended to compensate, on a systematic basis when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group, with no future related costs, is recognized as income of the period in which it becomes receivable.

**(l) Taxation**

The Institute has been granted exemption from Hong Kong Profits Tax by the Inland Revenue Department for its excess of income over expenditure in prior years. The Council believes that the exemptions will continue to be granted accordingly no provision for Profits Tax has been made.

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Taxation (continued)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income, in which case the taxes are also recognised in other comprehensive income.

**(m) Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Related parties**

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

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

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (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 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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

**(o) Retirement benefit costs**

Payments to defined contribution retirement benefit schemes managed by the government of People's Republic of China and the Mandatory Provident Fund Schemes are charged as expenses when employees have rendered service entitling them to the contributions.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**4 REVENUE AND OTHER INCOME**

	2025 HK\$	2024 HK\$
Revenue		
Members' subscription and entrance fees	11,368,975	11,561,850
Corporate membership and entrance fees	805,500	803,400
Functions income	4,975,438	7,795,739
Lecture and examination fees	5,733,928	5,162,790
	<u>22,883,841</u>	<u>25,323,779</u>
Other income		
Administrative charge	18,000	18,000
Bank interest income	432,945	276,939
Net foreign exchange gain	0	36,407
Rental income	1,250,904	1,234,658
Sundry income	258,207	442,174
Web recruit package	59,600	125,500
	<u>2,019,656</u>	<u>2,133,678</u>

**5 EMPLOYMENT COSTS**

	2025 HK\$	2024 HK\$
Salaries and allowances	9,049,946	8,843,287
Provident fund contribution	312,030	311,088
Staff messing and welfare	25,655	48,312
	<u>9,387,631</u>	<u>9,202,687</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**6 OTHER OPERATING AND ADMINISTRATIVE EXPENSES**

	2025 HK\$	2024 HK\$
Accountancy fee	7,200	8,160
Advertising	2,249	7,578
Air conditioning charges	14,662	22,855
Auditor's remuneration	96,000	96,000
Bank charges and credit card commission	375,317	372,915
Building management fee	337,817	325,208
Business registration fee	8,557	7,766
Cleaning	0	1,130
Congress expenses	0	89,949
Corporate membership fee written off	21,600	0
Depreciation on owned property, plant and equipment	685,227	718,934
Depreciation on right-of-use assets	2,705,180	2,703,603
Donation	7,000	14,500
Electricity and telephone	103,956	131,124
Insurance	190,588	188,961
Legal and professional fees	252,794	99,188
Membership fee written off	96,650	52,300
Net foreign exchange losses	15,109	0
Postage, printing and stationery	219,988	255,973
Quarterly general meeting and working meeting expenses	303,245	398,712
Rent and rates	75,660	71,400
Repairs and maintenance	36,046	21,916
Sundry expenses	57,905	41,393
Transportation	13,678	10,232
Website programming, IT support and upgrading	518,309	145,570
	<u>6,144,737</u>	<u>5,785,367</u>

**7 FINANCE COST**

	2025 HK\$	2024 HK\$
Interest on lease liabilities	<u>128,707</u>	<u>279,283</u>

**8 COUNCIL'S REMUNERATION**

No remuneration was paid or payable to the Council in respect of their services to the Institute during the year (2024: Nil).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**9 TAXATION**

No provision for Hong Kong Profits Tax has been made as there are no estimated assessable profits for the year (2024: Nil).

The tax credit/(charge) for the year can be reconciled to the deficit for the year per the consolidated statement of profit or loss and other comprehensive income as follows:

	2025 HK\$	2024 HK\$
Deficit for the year	(716,362)	(559,886)
Tax charge of Hong Kong Profits Tax rate of 16.5% (2024: 16.5%)	118,199	92,380
Tax effect of income not taxable for tax purpose	2,357	3,126
Tax effect of tax losses not claimed	(111,390)	(372)
Tax effect of tax losses not recognised	(9,646)	(110,330)
Tax effect of other deductible temporary difference not recognised	480	(2,731)
Effect of zero tax rate of tax exempted institution	0	17,927
Tax charge for the year	0	0

At the end of the reporting period, the Group has deferred tax assets in respect of unused tax losses of approximately HK\$257,000 (2024: HK\$257,000). No deferred tax assets has been recognised in relation to such assets due to unpredictability of future profit streams.

**10 INVESTMENTS IN SUBSIDIARIES**

Details of the Institute's subsidiaries at the end of the reporting period are set out below:

<u>Name of subsidiaries</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership and voting power</u>	<u>Principal activities</u>
HKIA Services Limited	Hong Kong	100%	Organizing events and investment holding
HKIA Holdings Limited	Hong Kong	100%	No business activity

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**11 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements HK\$	Furniture, fixtures, and office equipment HK\$	Total HK\$
<b>Cost</b>			
At 1 April 2023	4,602,815	3,791,927	8,394,742
Additions	128,744	23,709	152,453
At 31 March 2024	4,731,559	3,815,636	8,547,195
Additions	0	73,500	73,500
At 31 March 2025	4,731,559	3,889,136	8,620,695
<b>Depreciation</b>			
At 1 April 2023	2,864,532	3,339,860	6,204,392
Provided for the year	524,871	194,063	718,934
At 31 March 2024	3,389,403	3,533,923	6,923,326
Provided for the year	540,952	144,275	685,227
At 31 March 2025	3,930,355	3,678,198	7,608,553
<b>Carrying amount</b>			
At 31 March 2025	801,204	210,938	1,012,142
At 31 March 2024	1,342,156	281,713	1,623,869

**12 RIGHT-OF-USE ASSETS**

	Leasehold land and building HK\$
<b>At 1 April 2023</b>	6,079,324
Depreciation	(2,703,603)
<b>At 31 March 2024</b>	3,375,721
Additions	69,187
Depreciation	(2,705,180)
<b>At 31 March 2025</b>	739,728

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**13 OTHER FINANCIAL ASSETS**

	2025 HK\$	2024 HK\$
<u>Funds investments designated at FVOCI (non-recycling)</u>		
- Listed in Hong Kong	<u>44,283,930</u>	<u>41,903,166</u>

Fair values are determined with reference to quoted market bid prices.

Financial assets are denominated in Hong Kong dollar.

**14 TRADE AND OTHER RECEIVABLES**

	2025 HK\$	2024 HK\$
Accounts receivable	6,997,342	6,481,699
<b>Less:</b> Loss allowance [note 22 (b)(ii)]	<u>(52,136)</u>	<u>(52,136)</u>
	6,945,206	6,429,563
Deposits paid	995,989	1,188,686
Prepayments	1,340,503	570,306
Sundry debtors	0	293,317
Interest receivable	<u>148,199</u>	<u>209,698</u>
	<u>9,429,897</u>	<u>8,691,570</u>

**15 AMOUNT DUE FROM A RELATED COMPANY**

	2025 HK\$	2024 HK\$
HKIA Biennale Foundation Company Limited	<u>1,343,820</u>	<u>2,319,591</u>

The amount is interest free, unsecured and without fixed repayment terms.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**16 STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE**  
**AS AT 31 MARCH 2025**

	2025 HK\$	2024 HK\$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,012,142	1,623,869
Right-of-use assets	380,586	2,664,103
Investments in subsidiaries	4	4
Other financial assets	32,819,050	31,051,427
	<u>34,211,782</u>	<u>35,339,403</u>
	-----	-----
<b>Current assets</b>		
Inventories - Finished goods	5,659	5,659
Trade and other receivables	8,606,950	5,459,962
Amounts due from subsidiaries	45,763	2,049,929
Amount due from a related company	1,343,820	2,449,591
Bank balances and cash	23,029,169	22,693,315
	<u>33,031,361</u>	<u>32,658,456</u>
	-----	-----
<b>TOTAL ASSETS</b>	<u>67,243,143</u>	<u>67,997,859</u>

(To be continued)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**16 STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE (continued)**  
**AS AT 31 MARCH 2025**

	Notes	2025 HK\$	2024 HK\$
<b>RESERVES AND LIABILITIES</b>			
<b>Members' funds</b>			
General reserves	17	357,561	343,601
Investments revaluation reserve	18	2,996,773	1,229,150
Capital fund	18	192,146	189,146
Sinking fund	18	700,000	650,000
Retained surplus	18	52,501,280	53,224,070
		<u>56,747,760</u>	<u>55,635,967</u>
<b>Non-current liabilities</b>			
Lease liabilities		0	454,067
<b>Current liabilities</b>			
Lease liabilities		454,067	2,645,907
Trade and other payables		9,298,958	9,261,918
Amount due to a subsidiary		742,358	0
		<u>10,495,383</u>	<u>11,907,825</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>67,243,143</u></u>	<u><u>67,997,859</u></u>

\_\_\_\_\_  
Lau Man Kwan Julia  
President

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Cheung Kwok Lun Alan  
Honorary Treasurer

**17 GENERAL RESERVES**

	2025 HK\$	2024 HK\$
Balance of donation for Radio Television Hong Kong programs production	156,897	156,897
HKIA Funds for Public Conferences, Seminars & Exhibitions in 1996	60	60
Donation for Public Conferences, Seminars, Exhibitions, Researches and Competitions	50,000	50,000
Balance of donation from Mr. Stephen Poon in 1995	1,628	1,628
Donation from members and students	148,976	135,016
	<u><u>357,561</u></u>	<u><u>343,601</u></u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**18 RESERVES OF THE INSTITUTE**

	Investments revaluation reserve HK\$	Capital fund HK\$	Sinking fund HK\$	Retained surplus HK\$	Total HK\$
<b>At 1 April 2023</b>	999,936	189,046	600,000	53,410,925	55,199,907
Surplus for the year	0	0	0	108,647	108,647
Other comprehensive expense for the year	(16,288)	0	0	0	(16,288)
Total comprehensive income/(expense) for the year	(16,288)	0	0	108,647	92,359
Donation from members and students	0	100	0	0	100
Transfer from investments revaluation reserve to retained surplus	245,502	0	0	(245,502)	0
Transfer from retained surplus to sinking fund	0	0	50,000	(50,000)	0
	229,214	100	50,000	(186,855)	92,459
<b>At 31 March 2024</b>	1,229,150	189,146	650,000	53,224,070	55,292,366
Deficit for the year	0	0	0	(672,790)	(672,790)
Other comprehensive expenses for the year	1,767,623	0	0	0	1,767,623
Total comprehensive income/(expense) for the year	1,767,623	0	0	(672,790)	1,094,833
Donation from members and students	0	3,000	0	0	3,000
Transfer from retained surplus to sinking fund	0	0	50,000	(50,000)	0
	1,767,623	3,000	50,000	(722,790)	1,097,833
<b>At 31 March 2025</b>	2,996,773	192,146	700,000	52,501,280	56,390,199

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**19 LEASE LIABILITIES**

	HK\$
<b>At 1 April 2023</b>	6,713,462
Interest expenses	279,283
Cash outflow for lease payment	<u>(3,158,572)</u>
<b>At 31 March 2024</b>	3,834,173
Additions	69,187
Interest expenses	128,707
Cash outflow for lease payment	<u>(3,199,188)</u>
<b>At 31 March 2025</b>	<u><u>832,879</u></u>

Future lease payment are due as follow:

	<b>31 March 2025</b>		
	Minimum lease payments HK\$	Interest HK\$	Present value HK\$
Not later than one year	<u>846,434</u>	<u>13,555</u>	<u>832,879</u>
	<b>31 March 2024</b>		
	Minimum lease payments HK\$	Interest HK\$	Present value HK\$
Not later than one year	3,163,224	126,888	3,036,336
Later than one year and not later than two years	<u>810,470</u>	<u>12,633</u>	<u>797,837</u>
	<u><u>3,973,694</u></u>	<u><u>139,521</u></u>	<u><u>3,834,173</u></u>

Present value of future lease payments are analysed as follows:

	2025 HK\$	2024 HK\$
Current liabilities	832,879	3,036,336
Non-current liabilities	<u>0</u>	<u>797,837</u>
	<u><u>832,879</u></u>	<u><u>3,834,173</u></u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**20 TRADE AND OTHER PAYABLES**

	2025 HK\$	2024 HK\$
Deposits and receipt in advance	3,632,534	4,850,238
Accruals	5,024,554	4,096,331
Sundry creditors	2,090,430	1,954,199
	<u>10,747,518</u>	<u>10,900,768</u>

**21 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Lease liabilities HK\$
<b>At 1 April 2023</b>	6,713,462
<b>Changes from financing cash flow</b>	
Capital element of lease rentals paid	(2,879,289)
Interest element of lease rentals paid	(279,283)
	<u>(3,158,572)</u>
<b>Other changes</b>	
Interest expenses	279,283
	<u>279,283</u>
<b>At 31 March 2024</b>	3,834,173
<b>Changes from financing cash flow</b>	
Capital element of lease rentals paid	(3,070,481)
Interest element of lease rentals paid	(128,707)
	<u>(3,199,188)</u>
<b>Other changes</b>	
Increase in lease liabilities from entering into new leases	69,187
Interest expenses	128,707
	<u>197,894</u>
<b>At 31 March 2025</b>	<u>832,879</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**22 FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

	2025 HK\$	2024 HK\$
<u>Financial assets</u>		
Financial assets at amortized cost		
Trade and other receivables	7,577,153	8,212,094
Amount due from a related company	1,343,820	2,319,591
Bank balances and cash	25,435,626	25,804,408
	<u>34,356,599</u>	<u>36,336,093</u>
Funds investments designated at FVOCI (non-recycling)	<u>44,283,930</u>	<u>41,903,166</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Lease liabilities	832,879	3,834,173
Trade and other payables	3,665,849	4,173,615
	<u>4,498,728</u>	<u>8,007,788</u>

**(b) Financial risk management objectives and policies**

The main risks arising from the Group's financial instruments are market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

**(i) Market risk**

***Foreign currency risk***

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Council considers that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**22 FINANCIAL INSTRUMENTS (continued)**

**(b) Financial risk management objectives and policies (continued)**

**(i) Market risk (continued)**

***Foreign currency risk (continued)***

The carrying amounts of the Group's significant monetary assets and liabilities that are denominated in currencies other than functional currency of its respective group entities at the end of the reporting period are as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	2025	2024	2025	2024
	HK\$	HK\$	HK\$	HK\$
United States dollar (USD)	20,866	83,213	0	0
Renminbi	<u>787,782</u>	<u>571,477</u>	<u>1,650</u>	<u>64,106</u>

***Sensitivity analysis***

As HK\$ is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK\$ exchange rate. As a result, the Council considers that the sensitivity of the Group's exposure towards the change in foreign exchange rate between USD/HK\$ is minimal.

The following table indicates the approximate change in the Group's surplus after tax and retained surplus in response to reasonably possible changes in the foreign exchange rates to which the Group had significant exposure at the end of the reporting period.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period includes only outstanding foreign currency denominated monetary items.

***Sensitivity analysis***

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in surplus after tax and retained surplus HK\$	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in surplus after tax and retained surplus HK\$
Renminbi	5% (5%)	35,171 (35,171)	5% (5%)	24,476 (24,476)

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

The analysis is performed on the same basis for 2024.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**22 FINANCIAL INSTRUMENTS (continued)**

**(b) Financial risk management objectives and policies (continued)**

**(i) Market risk (continued)**

***Interest rate risk***

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances and deposits. The management considers the Group's exposure of the variable-rate bank balances and deposits to interest rate risk is not significant.

***Sensitivity analysis***

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amount of variable-rate bank balances and deposits at the end of the reporting period was the amount outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's operating surplus after tax for the year ended 31 March 2025 would increase/decrease by approximately HK\$76,000 (2024: HK\$96,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and deposits.

The analysis is performed on the same basis for 2024.

***Other price risk***

The Group is exposed to price risk on its financial assets measured at FVOCI. Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

***Sensitivity analysis***

If the prices of the respective equity instruments had been 5% higher/lower, investments revaluation reserve would increase/decrease by approximately HK\$2,200,000 (2024: HK\$2,100,000) for the Group as a result of the changes in fair value of investments.

In management's opinion, the sensitivity analysis is not necessarily representative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

The analysis is performed on the same basis for 2024.

**(ii) Credit risk**

The Group's credit risk is primarily attributable to trade and other receivables, amount due from a related party, bank balances and cash.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**22 FINANCIAL INSTRUMENTS (continued)**

**(b) Financial risk management objectives and policies (continued)**

(ii) Credit risk (continued)

Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party rather than the industry or country in which the counter parties operate and therefore certain concentration of credit risk primarily arise when the Group has significant exposure to individual counter parties.

Individual credit evaluations are performed on all counter parties requiring credit over a certain amount. These evaluations focus on the counter party's past history of making payments when due and current ability to pay, and take into account information specific to the counter party as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from counter parties.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different debtor segments, the loss allowance based on past due status is not further distinguished between the Group's different debtor bases.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable as at 31 March 2025 and 2024:

	<b>31 March 2025</b>		
	Expected loss rate %	Gross carrying amount HK\$	Loss allowance HK\$
Not past due	0	6,580,872	0
Past due 1-30 days	0	3,300	0
Past due over 90 days	13	413,170	52,136
		<u>6,997,342</u>	<u>52,136</u>
	<b>31 March 2024</b>		
	Expected loss rate %	Gross carrying amount HK\$	Loss allowance HK\$
Not past due	0	6,294,445	0
Past due 1-30 days	0	5,150	0
Past due over 90 days	29	182,104	52,136
		<u>6,481,699</u>	<u>52,136</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**22 FINANCIAL INSTRUMENTS (continued)**

**(b) Financial risk management objectives and policies (continued)**

**(ii) Credit risk (continued)**

**Accounts receivable (continued)**

Expected loss rates are based on actual loss experience over the recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivable during the year is as follows:

	2025 HK\$	2024 HK\$
Balance at the beginning and the end of the year	<u>52,136</u>	<u>52,136</u>

**Other financial assets**

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies for which the Group considers to have low credit risk.

In respect of amounts due from related parties, the Group considers the credit risk is remote after taking into account the financial position of the related parties.

No ECLs were provided as the Group has assessed that the net realisable value of the other financial assets is exceed the carrying amount of the outstanding balance at the end of the reporting period.

**(iii) Liquidity risk**

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. The Group manage liquidity risk by maintaining adequate reserves. The Group perform periodically cash flow forecasts to monitor future cash flows. The subscription fees and entrance fees from members are growing steadily and provide a stable source of funds to the Group. The current financial strength of the Group pose no threat of liquidity to the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**22 FINANCIAL INSTRUMENTS (continued)**

**(b) Financial risk management objectives and policies (continued)**

**(iii) Liquidity risk (continued)**

The maturity profile of financial liabilities as at 31 March 2025 and 2024, based on the contractual undiscounted payments, was as follows:

	<b>31 March 2025</b>		
	Less than one year HK\$		
Lease liabilities			846,434
Trade and other payables			<u>3,665,849</u>
			<u><u>4,512,283</u></u>
	<b>31 March 2024</b>		
	Less than one year HK\$	Over one year HK\$	Total carrying value HK\$
Lease liabilities	3,163,224	810,470	3,973,694
Trade and other payables	<u>4,173,615</u>	<u>0</u>	<u>4,173,615</u>
	<u><u>7,336,839</u></u>	<u><u>810,470</u></u>	<u><u>8,147,309</u></u>

**(iv) Fair value**

The Council considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

*Fair value measurements recognised in the consolidated statement of financial position*

The following table provides an analysis of the Group's financial instrument that is measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

Recurring fair value measurement:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b><u>2025</u></b>				
<u>Funds investments designated at FVOCI</u>				
<u>(non-recycling)</u>				
- Listed in Hong Kong	<u>44,283,930</u>	<u>0</u>	<u>0</u>	<u>44,283,930</u>
<b><u>2024</u></b>				
<u>Funds investments designated at FVOCI</u>				
<u>(non-recycling)</u>				
- Listed in Hong Kong	<u>41,903,166</u>	<u>0</u>	<u>0</u>	<u>41,903,166</u>

During the year, the Group had no transfers between instruments in Level 1 and Level 2.

**24 RELATED PARTIES TRANSACTIONS AND BALANCES**

Significant related parties transactions and balances, which was carried out in the normal course of the Group's business, was as follows:

<u>Class of related party</u>	<u>Nature of transactions and balances</u>	2025 HK\$	2024 HK\$
Related party	Rental income	1,250,904	1,080,386
	Accounts receivable	<u>6,446,038</u>	<u>3,864,771</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2025**

**25 ACCOUNTING ESTIMATES AND JUDGMENTS**

**Key sources of estimation uncertainty**

The methods, estimates and judgments the Council used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. The critical accounting judgments in applying the Group's accounting policies are described below.

(a) *Impairment of financial assets measured at amortised cost and FVOCI*

The assessment of impairment losses on financial assets measured at amortised cost and FVOCI is performed based on ECLs model. The Group uses judgements and estimates, and make assumptions and selects inputs as considered appropriate in performing the impairment assessment. Any change in the estimates, assumptions and inputs adopted in the assessment would increase or decrease the impairment losses for the year and affect the Group's net asset value.

(b) *Impairment of assets other than financial assets measured at amortised cost and FVOCI*

The Group reviews the carrying amounts of the assets at each reporting date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the differences between the carrying amount and value in use and provides for impairment loss. Any change in the assumptions adopted in the profit forecasts would increase or decrease the provision of impairment loss and affect the Group's net asset value.

(c) *Depreciation*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods are adjusted if there are significant changes from previous estimation.

(d) *Provision for inventories*

The Group reviews the carrying amounts of the inventories at each reporting date to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(e) *Estimation of the incremental borrowing rate for leasing*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liability. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.