

THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

COUNCIL MEMBERS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020



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THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

**COUNCIL MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

REPORT OF THE COUNCIL MEMBERS

The council members have pleasure in presenting their report together with the audited financial statements of The Academy of Chinese Studies Limited (the “Academy”) for the year ended 31 December 2020.

Principal activities

The principal activities of the Academy were for the provision of information regarding Chinese culture, history and heritage through the development of relevant multi-media courseware for use at schools.

Business review

The Academy is devoted to promoting Chinese history, culture and civilisation. Its main website “Splendid Chinese Culture” has continuously been upgraded in design and user experience. The website contents had been used by teachers for the subjects of Chinese, Chinese history and Liberal Studies as well as by Education Bureau to develop curricula for schools.

The all new e-learning platform “Fireflies Read Online” was launched during the year to raise students’ interest toward Chinese history and culture. Targeting primary and secondary school students, over 300 articles relating to Chinese history, culture and liberal studies were made available on the platform.

The Academy received total donations of HK\$9.8 million for the year ended 31 December 2020, total expenditure for the year was HK\$14.7 million and deficit for the year was HK\$4.4 million. The donors had pledged their donations from one to three years.

The principal risk and uncertainty of the Academy relate to the ability of the Academy to raise and collect the pledged donations to meet its charitable objectives and other current obligations when they fall due.

Saved as disclosed above, during the year ended 31 December 2020, the Academy had no material change in its structure and no event had occurred that would significantly affect the Academy’s operations.

Looking ahead in 2021, the Academy will continue to promote and foster the understanding of Chinese culture and civilization and to enhance the culture status of Hong Kong.

Results

The results of the Academy for the year ended 31 December 2020 are set out in the statement of comprehensive income on page 7.

Council Members

The council members during the year and up to the date of this report were:

LEE Yeh Kwong Charles (Chairman)	
MA Siu-leung	
LEE Chack Fan	
WONG Yuk Shan	
LI Kam Fun Eva	
TSO Man Tai Thomas	
KUN Lai Kuen Stella	(Appointed on 22 February 2021)
LEE Simon Hoey	(Appointed on 22 February 2021)
TAM Wai Chu Maria	(Appointed on 22 February 2021)
YANG Siu Shun	(Appointed on 22 February 2021)

THE ACADEMY OF CHINESE STUDIES LIMITED
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REPORT OF THE COUNCIL MEMBERS (CONTINUED)

Council Members (continued)

In accordance with the Academy's Articles of Association, one-third of the Council Members for the time being shall retire from office. The Council Members to retire shall be those who have been longest in office since their last election. A retiring Council Member shall be eligible for re-election.

Council members' interest in contracts

No transaction, arrangement or contract that is significant in relation to the Academy's operation to which the Academy was a party and in which a person who was at any time in the year was a council member of the Academy had a material interest, whether directly or indirectly, was entered into in the year or subsisted at the end of the year or at any time during the year and up to the date of this report.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the operation of the Academy were entered into or existed during the year.

Permitted indemnity provision

A permitted indemnity provision is in force for the benefit of the council members of the Academy during the year.

Auditor

The financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the Council



Chairman

Hong Kong, 9 April 2021



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THE ACADEMY OF CHINESE STUDIES LIMITED**
(incorporated in Hong Kong with liability limited by guarantee)

Opinion

What we have audited

The financial statements of The Academy of Chinese Studies Limited (the "Academy") set out on pages 7 to 18, which comprise:

- the balance sheet as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Academy as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

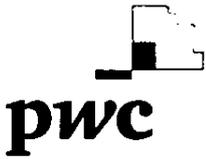
Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Academy 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THE ACADEMY OF CHINESE STUDIES LIMITED
(CONTINUED)**
(incorporated in Hong Kong with liability limited by guarantee)

Other information

The council members are responsible for the other information. The other information comprises the information included in the Report of the Council Members, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Council Members for the Financial Statements

The council members are responsible for the preparation of 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council members are responsible for assessing the Academy'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 Academy or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THE ACADEMY OF CHINESE STUDIES LIMITED
(CONTINUED)**
(incorporated in Hong Kong with liability limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment 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 Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.
- Conclude on the appropriateness of the council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy'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 Academy 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.

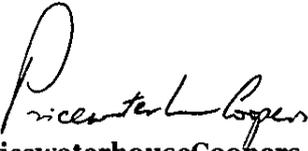


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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THE ACADEMY OF CHINESE STUDIES LIMITED
(CONTINUED)**
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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the Audit Committee 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.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2021

THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 HK\$	2019 HK\$
Donation income		9,847,310	14,847,310
Other income	6	378,447	621
Programme expenses		(2,852,258)	(1,515,504)
Salaries and other benefits		(9,188,424)	(7,192,475)
Contribution to defined contribution scheme		(259,154)	(212,785)
Expense relating to short-term lease, management fee and rates		(1,407,793)	(1,095,874)
Other administrative expenses			
- Auditor remuneration		-	-
- Depreciation of plant and equipment	8	(79,976)	(73,984)
- Others		(870,717)	(584,015)
		(14,658,322)	(10,674,637)
(Deficit)/surplus for the year		(4,432,565)	4,173,294
Total comprehensive (loss)/ income for the year		(4,432,565)	4,173,294

The notes on pages 11 to 18 are an integral part of these financial statements.

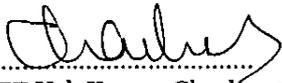
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THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 HK\$	2019 HK\$
ASSETS			
Non-current assets			
Plant and equipment	8	67,218	106,827
		<u>67,218</u>	<u>106,827</u>
Current assets			
Deposits and prepayments		10,400	34,810
Amount due from immediate holding company	11 (b)	-	758,986
Cash and bank balances	9	11,049,877	6,307,979
		<u>11,060,277</u>	<u>7,101,775</u>
Total assets		<u><u>11,127,495</u></u>	<u><u>7,208,602</u></u>
Fund			
Accumulated surplus		2,416,304	6,848,869
Total fund		<u><u>2,416,304</u></u>	<u><u>6,848,869</u></u>
LIABILITIES			
Current liabilities			
Accounts payables and accruals		747,057	359,733
Amount due to immediate holding company	11 (b)	7,437,473	-
Amount due to a fellow subsidiary	11 (b)	526,661	-
Total liabilities		<u><u>8,711,191</u></u>	<u><u>359,733</u></u>
Total fund and liabilities		<u><u>11,127,495</u></u>	<u><u>7,208,602</u></u>

On behalf of the Council


.....
LEE Yeh Kwong Charles
Council Member


.....
TSO Man Tai Thomas
Council Member

The notes on pages 11 to 18 are an integral part of these financial statements.

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THE ACADEMY OF CHINESE STUDIES LIMITED
(incorporated in Hong Kong with liability limited by guarantee)

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2020

	HK\$
At 1 January 2019	2,675,575
Total comprehensive income for the year	4,173,294
At 31 December 2019 and 1 January 2020	<u>6,848,869</u>
Total comprehensive loss for the year	(4,432,565)
At 31 December 2020	<u><u>2,416,304</u></u>

The notes on pages 11 to 18 are an integral part of these financial statements.

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THE ACADEMY OF CHINESE STUDIES LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 HK\$	2019 HK\$
Cash flows from operating activities		
(Deficit)/surplus for the year	(4,432,565)	4,173,294
Adjustments for:		
Interest income	(447)	(621)
Depreciation	79,976	73,984
Operating cash flows before movements in working capital	(4,353,036)	4,246,657
Decrease in deposits and prepayments	24,410	83,580
Increase/(decrease) in accounts payables and accruals	387,324	(188,657)
Decrease/(increase) in amount due from/(to) immediate holding company	8,196,459	(3,073,696)
Increase in amount due to a fellow subsidiary	542,091	-
Net cash generated from operating activities	<u>4,797,248</u>	<u>1,067,884</u>
Cash flows from investing activities		
Interest received	447	621
Purchase of plant and equipment	(55,797)	(24,958)
Net cash used in investing activities	<u>(55,350)</u>	<u>(24,337)</u>
Increase in cash and cash equivalents	4,741,898	1,043,547
Cash and cash equivalents at beginning of the year	<u>6,307,979</u>	<u>5,264,432</u>
Cash and cash equivalents at end of the year	<u><u>11,049,877</u></u>	<u><u>6,307,979</u></u>

The notes on pages 11 to 18 are an integral part of these financial statements.

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THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Academy of Chinese Studies Limited (the “Academy”) is a non-profit making organisation incorporated in Hong Kong under the Hong Kong Companies Ordinance with liability limited by guarantee. The registered office of the Academy is 19th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

The Academy aims at providing information regarding Chinese culture, history and heritage through the development of relevant multi-media courseware for use at schools.

The Council regards the Academy as a wholly owned subsidiary of Our Hong Kong Foundation Limited, which is incorporated in Hong Kong.

Under the provisions of the Academy’s Articles of Association, every member shall, in the event of the Academy being wound up, contribute to the assets of the Academy to the extent of HK\$100. As at 31 December 2020, the Academy had 1 member. The financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Academy have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance (Cap. 622). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Academy’s accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The adoption of amendments to existing standards and framework

The following amendments to existing standards and framework are mandatory and relevant to the Academy for the financial year beginning 1 January 2020.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments to existing standards and framework has had no material effect on the results, financial position and cash flows of the Academy nor any substantial change in the Academy’s accounting policies and presentation of the financial statements.

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held at banks.

(d) Accounts payables and accruals

These amounts represent liabilities for services provided to the Academy prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payables and accruals are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) Employee benefits

Staff cost and benefits

Staff cost and benefits are accrued in the year in which the associated services are rendered by employees of the Academy.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for unutilised leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement scheme obligations

The Academy operates a defined contribution scheme in compliance with the Mandatory Provident Fund Schemes Ordinance and the assets of the scheme are held in separate trustee-administered funds. Contributions to the scheme are recognised as expenses in the statement of comprehensive income as incurred.

(f) Leases

Payment associated with short-term leases are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Revenue recognition

The Academy recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Academy's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The Academy bases its estimates on historical results, taking into consideration the type of donor, the type of transaction and the specifics of each arrangement.

Donation income

Donations are recognised as income in the statement of comprehensive income when the right of collection is established by the Academy. Outstanding pledges are not recognised as income unless a legal obligation on the donor is established by the Academy. Donations designated by the donor for specific purpose within a fixed period of time are recognised as income to the extent of the related expenditure incurred during the year.

Interest income

Interest income is recognised using the effective interest method.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Academy will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

(a) Financial risk factors

The Academy's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. The Academy's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Academy's financial performance.

Foreign exchange risk

Certain transactions of the Academy are denominated in Renminbi ("RMB") which is different from the functional currency of the Academy, i.e. Hong Kong dollars ("HKD"), therefore, the Academy is exposed to currency risk. The Academy currently does not have a foreign currency hedging policy. However, the council members of the Academy monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure if necessary.

Credit risk

The carrying amounts of deposits and prepayments and cash and bank balances represent the Academy's maximum exposure to credit risk in relation to financial assets. The Academy has a credit policy in place and exposures to the credit risk are monitored on an ongoing basis. The exposure to credit risk is minimised by placing the deposits with reputable financial institutions. The credit risk on deposits and prepayments arising from ordinary activities is limited by ageing control of the Academy.

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

Liquidity risk

Liquidity risk is the risk that the Academy is unable to meet its current obligations when they fall due.

The Academy maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements in the course of ordinary activities.

The table below analyses the Academy's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	Within one year HK\$
At 31 December 2020	
Accounts payables and accruals	747,057
Amount due to immediate holding company	7,437,473
Amount due to a fellow subsidiary	526,661
	<u> </u>
At 31 December 2019	
Accounts payables and accruals	359,733
	<u> </u>

(b) Capital risk management

The Academy's objectives when managing capital are to safeguard the Academy's ability to continue as a going concern so that it can continue to promote Chinese culture and history by providing relevant information through the development of relevant multi-media courseware for use at schools and to maintain an optimal capital structure to reduce the cost of capital. The Academy manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities.

Management regards the Academy's total fund as "capital" as shown in the balance sheet.

4 Critical judgements in applying the Academy's accounting policy

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

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

5 Benefits and interests of council members

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G):

- (a) During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of council members' services were paid or made, directly or indirectly, to the council members; nor are any payable (2019: nil). No consideration was provided to or receivable by third parties for making available council members' services (2019: nil).
- (b) There are no loans, quasi-loans or other dealings in favour of council members, their controlled bodies corporate and connected entities (2019: none).
- (c) During the year and at the year end, no council member of the Academy had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Academy's operations to which the Academy was a party.

6 Other income

	2020 HK\$	2019 HK\$
Government grants received from Employment Support Scheme	378,000	-
Interest income	447	621
	<u>378,447</u>	<u>621</u>

7 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Academy is exempted from Hong Kong profits tax under Section 88 of the Hong Kong Inland Revenue Ordinance.

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

8 Plant and equipment

	Computer equipment HK\$
At cost	
At 1 January 2019	203,311
Additions	24,958
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At 31 December 2019 and 1 January 2020	228,269
Additions	55,797
Disposal	(35,645)
	<hr/>
At 31 December 2020	248,421
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Accumulated depreciation	
At 1 January 2019	47,458
Charge for the year	73,984
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At 31 December 2019 and 1 January 2020	121,442
Charge for the year	79,976
Disposal	(20,215)
	<hr/>
At 31 December 2020	181,203
	<hr style="border-top: 1px dashed black;"/>
Net book value	
At 31 December 2020	67,218
	<hr style="border-top: 3px double black;"/>
At 31 December 2019	106,827
	<hr style="border-top: 3px double black;"/>

9 Cash and bank balances

Bank balances carry interest at market rates at 0.01% (2019: 0.01%) per annum.

10 Lease commitment

At 31 December 2020, the Academy had future aggregate minimum lease rental expenses under short-term lease of HK\$19,000 (2019: HK\$75,000).

THE ACADEMY OF CHINESE STUDIES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

11 Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Academy had the following transactions and balances with related parties:

(a) Key management compensation

Key management includes all senior staff who are responsible for planning, directing and controlling the activities of the Academy. The compensation paid or payable to key management is shown below:

	2020 HK\$	2019 HK\$
Salaries and other benefits	<u>1,665,772</u>	<u>1,193,451</u>

(b) Year-end balances with related parties

	2020 HK\$	2019 HK\$
Amounts due to:		
- Immediate holding company	7,437,473	-
- A fellow subsidiary	526,661	-
Amount due from:		
- Immediate holding company	<u>-</u>	<u>758,986</u>

The amounts are unsecured, interest free and repayable on demand.

12 Approval of financial statements

The financial statements have been approved by the Council on 9 April 2021.