

THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**REPORT OF THE COUNCILLORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The Councillors of the The Chartered Institution of Building Services Engineers Hong Kong Limited ("Society") present their annual report and the audited financial statements for the year ended 31 December 2019.

**CORPORATE STATUS**

The Society is a company limited by guarantee and does not have a share capital. On 18 September 2008, the Society has registered as a charitable organisation under the Section 88 of the Inland Revenue Ordinance, Chapter 112.

**PRINCIPAL ACTIVITY**

The principal activities of the Society are promoting building services engineers' services and providing functions to the Hong Kong members of The Chartered Institution of Building Services Engineers.

**RESULTS**

The results of the Society for the year ended 31 December 2019 are set out in the statement of comprehensive income on page 5. The surplus for the year was amounted to HK\$89,142. This has been added into the surplus brought forward of HK\$760,574, resulting in surplus carried forward of HK\$849,716.

**PROPERTY, PLANT AND EQUIPMENT**

Details of movements in property, plant and equipment of the Society during the year are set out in notes 9 to the financial statements.

**COUNCILLORS**

The Councillors of the Society during the year and up to the date of this report were :

|                          |                                  |
|--------------------------|----------------------------------|
| Matthews Stephen Charles |                                  |
| Macpherson Stuart John   | (Resigned on 29 September 2019)  |
| CATCHPOLE Adrian John    | (Appointed on 29 September 2019) |
| Cheung Chi Kong, Victor  |                                  |
| Chan Kai Shing, Philip   |                                  |

The Articles of Association of the Society do not provide for the mandatory retirement of Councillors. Accordingly, all Councillors continue in office.

**BUSINESS REVIEW**

The Society is a wholly owned subsidiary of another body corporate. Accordingly, the Society is exempted from preparing a business review.

**PERMITTED INDEMNITY PROVISION**

At no time during the financial year were there any permitted indemnity provision in force for the benefit of one or more Councillors of the Society.

At the time of approval of this report, there are no permitted indemnity provisions in force for the benefit of one or more Councillors of the Society.

**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**REPORT OF THE COUNCILLORS - CONTINUED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**COUNCILLORS' INTEREST**

No contracts of significance to which the Society was a party and in which a Councillor of the Society had a material interest subsisted at the end of the year or at any time during the year.

**COUNCILLORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Society a party to any arrangement to enable the Councillors of the Society to acquire benefits by means of the acquisition of interests in the Society or any other body corporate.

**OTHER MATTERS**

At the date of this report the Councillors are not aware of any circumstances including contingencies and / or litigation not otherwise dealt with in this report or financial statements which would render any amount stated misleading or harmful to the business.

**AUDITORS**

A resolution will be submitted to the forthcoming annual general meeting of the Society to appoint Messrs. L.L. Hui, Certified Public Accountant as auditors of the Company.

**APPROVAL OF COUNCILLORS' REPORT**

This report was approved by the Councillors on 6 November 2020.

On behalf of the Board



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Cheung Chi Kong, Victor  
Councillor

Hong Kong, 6 November 2020

# L.L. HUI

## Certified Public Accountant

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED

(Incorporated in Hong Kong as a company limited by guarantee and not having a share capital)

#### **OPINION**

We have audited the financial statements of The Chartered Institution of Building Services Engineers Hong Kong Limited ("the Society") set out on pages 5 to 15, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities ("HKFRS for Private Entities") 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 OF OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section in our report. We are independent of the Society in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **OTHER INFORMATION**

The councillors of the Society are responsible for the other information. The other information comprises the information included in the report of the councillors set out on page 1 and 2, 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 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 THE COUNCILLORS FOR THE FINANCIAL STATEMENTS**

The councillors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the councillors 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 statement, the councillors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the councillors' either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

# L.L. HUI

## Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT - CONTINUED  
TO THE MEMBERS OF THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED  
(Incorporated in Hong Kong as a company limited by guarantee and not having a share capital)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to 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. Our objectives are to obtain reasonable assurance about whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 audit in accordance with HKFRSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of an accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the councillors' use of the going concern basis of the accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that our cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



L.L. Hui  
Certified Public Accountant

Hong Kong, 6 November 2020

Flat 2001, 20/F, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong.

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**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

|  | NOTES | Year ended<br>31-12-2019<br>HK\$ | Year ended<br>31-12-2018<br>HK\$ |
|--|-------|----------------------------------|----------------------------------|
| <b>REVENUE</b>   | 7     |                                  |                                  |
| Grants received from CIBSE headquarters                          |       | 522,428                          | 570,718                          |
| Grants received for interview fee from CIBSE headquarters        |       | 60,547                           | -                                |
| Society functional income  |       | 1,130,910                        | 827,475                          |
| Net income from co-organised functions with the other associates |       | 93,603                           | 56,988                           |
| Miscellaneous income   |       | 39,049                           | 16                               |
|  |       | <u>1,846,537</u>                 | <u>1,455,197</u>                 |
| <b>EXPENDITURE</b>   |       |                                  |                                  |
| Auditors' remuneration   |       | 12,000                           | 12,000                           |
| Annual general meeting   |       | 64,104                           | 68,826                           |
| Bank charges and interest  |       | 2,530                            | 835                              |
| Councillors' general meetings                                    |       | 15,125                           | 24,632                           |
| CIBSE president visiting charges                                 |       | 21,137                           | 56,510                           |
| Depreciation on office equipment                                 |       | 4,519                            | 2,620                            |
| Insurance  |       | 14,289                           | 13,919                           |
| Local traveling and transportation                               |       | 1,261                            | 39                               |
| Legal and professional fee                                       |       | -                                | 5,080                            |
| Mandatory provident funds  |       | 14,344                           | 10,729                           |
| Office rent and storage charges                                  |       | 45,600                           | 41,580                           |
| Office expenses  |       | 18,490                           | 12,101                           |
| Overseas visit to CIBSE headquarters                             |       | 11,000                           | 13,973                           |
| Prizes and awards granted to local universities                  |       | 33,000                           | 37,000                           |
| Secretarial fee  |       | 3,620                            | 2,750                            |
| Society functional cost  |       | 1,004,852                        | 737,786                          |
| Staff salaries   |       | 243,932                          | 237,194                          |
| Subscription to other society                                    |       | 52,300                           | 63,600                           |
| Training and interview honorarium                                |       | 65,984                           | 2,720                            |
| Web site development and maintenance                             |       | 16,420                           | 14,400                           |
| YEN function and activities                                      |       | 75,388                           | 130,209                          |
| YEN global conference expenses                                   |       | 37,500                           | 39,930                           |
|  |       | <u>1,757,395</u>                 | <u>1,528,433</u>                 |
| <b>SURPLUS / (DEFICIT) BEFORE TAXATION</b>                       |       | 89,142                           | ( 73,236)                        |
| <b>INCOME TAX EXPENSES</b>                                       | 8     | -                                | -                                |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>                          |       | <u>89,142</u>                    | <u>( 73,236)</u>                 |

**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

|                                      | NOTES | 31-12-2019<br>HK\$ | 31-12-2018<br>HK\$ |
|--------------------------------------|-------|--------------------|--------------------|
| <b>NON-CURRENT ASSETS</b>            |       |                    |                    |
| Property, plant and equipment        | 9     | 7,600              | 2,619              |
| <b>CURRENT ASSETS</b>                |       |                    |                    |
| Sundry deposits and prepayment       |       | 390,400            | 129,600            |
| Functional income receivables        |       | 153,517            | 366,705            |
| Bank balances                        | 10    | 473,575            | 393,189            |
| Cash balances                        | 10    | 19,712             | 35,544             |
|                                      |       | <u>1,037,204</u>   | <u>925,038</u>     |
| <b>CURRENT LIABILITIES</b>           |       |                    |                    |
| Accounts payable                     |       | 144,784            | 139,434            |
| Advance receipts and accrued charges |       | 50,304             | 27,649             |
|                                      |       | <u>195,088</u>     | <u>167,083</u>     |
| <b>NET CURRENT ASSETS</b>            |       | <u>842,116</u>     | <u>757,955</u>     |
| <b>NET ASSETS</b>                    |       | <u>849,716</u>     | <u>760,574</u>     |
| <b>Represented by:</b>               |       |                    |                    |
| <b>FUND AND SURPLUS</b>              |       | <u>849,716</u>     | <u>760,574</u>     |
|                                      |       | <u>849,716</u>     | <u>760,574</u>     |

The financial statements on page 5 to 15 were approved and authorised for issue by the Council on 6 November 2020 and are signed on its behalf by:



Cheung Chi Kong, Victor  
 Director



Chan Kai Shing, Philip  
 Director

THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

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|   | SURPLUS<br>HK\$       | TOTAL<br>HK\$         |
|---|-----------------------|-----------------------|
| BALANCE AT 1 JANUARY 2018                                       | 833,810               | 833,810               |
| DEFICIT FOR THE YEAR  | <u>( 73,236)</u>      | <u>( 73,236)</u>      |
| BALANCE AT 31 DECEMBER 2018<br>AND<br>BALANCE AT 1 JANUARY 2019 | 760,574               | 760,574               |
| SURPLUS FOR THE YEAR  | <u>89,142</u>         | <u>89,142</u>         |
| BALANCE AT 31 DECEMBER 2019                                     | <u><u>849,716</u></u> | <u><u>849,716</u></u> |

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**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

|  | NOTE | Year ended<br>31-12-2019<br>HK\$ | Year ended<br>31-12-2018<br>HK\$ |
|--|------|----------------------------------|----------------------------------|
| <b>OPERATING ACTIVITIES</b>  |      |                                  |                                  |
| Surplus / (deficit) before taxation                                  |      | 89,142                           | ( 73,236)                        |
| Adjustments for:   |      |                                  |                                  |
| Depreciation   |      | 4,519                            | 2,620                            |
| Operating cash flows before movements in working capital             |      | 93,661                           | ( 70,616)                        |
| (Increase) decrease in sundry deposits and prepayment                |      | ( 260,800)                       | 128,480                          |
| Decrease in functional income receivables                            |      | 213,188                          | 187,909                          |
| Increase (decrease) in accounts payable                              |      | 5,350                            | ( 339,454)                       |
| Increase (decrease) in advance payment and accrued charges           |      | 22,655                           | ( 24,974)                        |
| <b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>                  |      | <b>74,054</b>                    | <b>( 118,655)</b>                |
| <b>INVESTMENT ACTIVITIES</b>   |      |                                  |                                  |
| Purchase of property, plant and equipment                            |      | ( 9,500)                         | -                                |
| <b>NET CASH USED IN INVESTMENT ACTIVITIES</b>                        |      | <b>( 9,500)</b>                  | <b>-</b>                         |
| <b>NET CASH INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b> |      | <b>64,554</b>                    | <b>( 118,655)</b>                |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>BEGINNING OF THE YEAR</b>    |      | <b>428,733</b>                   | <b>547,388</b>                   |
| <b>CASH AND CASH EQUIVALENTS AT THE<br/>END OF THE YEAR</b>          | 10   | <b>493,287</b>                   | <b>428,733</b>                   |

**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. GENERAL**

The Society is incorporated in Hong Kong as a company limited by guarantee and not having a share capital. The liability of the members is limited to HK\$100 per member in the event of the Society being wound up, whilst they remain a member, or within one year after they cease to be a member. The Society has registered as a charitable organisation under the Section 88 of the Inland Revenue Ordinance, Chapter 112 on 18 September 2008.

The ultimate holding Company is The Chartered Institution of Building Services Engineers ("CIBSE"), a body corporation incorporated by Royal Charter in United Kingdom. The Society's registered office and principal place of operation is Room 5, Unit C, 20th Floor, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

The objective of the Society are promoting building services engineers' services and providing functions to the Hong Kong members of CIBSE.

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

**2. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with HKFRS for Private Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and returns.

**a. Grants and interview fee received**

Grant and interview fee received from CIBSE headquarters are recognised as income upon received.

**b. Revenue from society functions and net income received from co-organised functions with the other associates**

Revenue from society functions and net income received from co-organised functions with the other associates are recognised in the period as income over the periods necessary to match them with the related costs. Surplus from co-organised functions which are organised by the Society will share equally by the co-organised associates.

**c. Service income**

Service income is recognised when services are provided.

**d. Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Society and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item to its present working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

|                  |     |
|------------------|-----|
| Office equipment | 20% |
|------------------|-----|

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Functional income receivable

Functional income receivable are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of assets

At each reporting date, assets that are subject to depreciation and amortization are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If an estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term liquidity investments with original maturities of three months or less.

Accounts payable

Accounts payable are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

Employee benefits

*Short-term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*Contributions to defined contribution retirement plans*

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised in profit or loss as incurred.

Provision

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of past events, it is probable that the Society will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Income taxes

As the Society is entitled to exempt from all tax payable under Section 88 of the Inland Revenue Ordinance, provision for tax is considered not necessary.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Foreign currencies

In preparing the financial statements of an entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on 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 the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 arising on the settlement of monetary items, and on the translation of monetary items, is recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Related parties

A party is considered to be related to the Society if:

- (a) A person or a close member of that person's family is related to the Society if that person:
- (i) is a member of the key management personnel of the Society or of a parent of the Society;
  - (ii) has control over the Society; or
  - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Society if any of the following conditions applies:
- (i) the entity and the Society are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of a third entity.
  - (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of the Society or an entity related to the Society. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant voting power in the entity.

Leasing

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Society as lessee

Assets held under finance leases are initially recognised as assets of the Society at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Fund and surplus**

Fund and surplus are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Society's accounting policies, which are described in note 3 the councillors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

*Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Society assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

*Impairment of the functional income receivables*

The provisioning policy for bad and doubtful debts of the Society is based on the evaluation of collect ability and aged analysis of accounts and on management judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each participants. If the financial conditions of participants of the Society are to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

**5. CAPITAL RISK MANAGEMENT**

The Society manages its capital to ensure that the Society will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Society's overall strategy remains unchanged from prior year.

The capital structure of the Society consists of debts, which includes the cash and cash equivalents and equity attributable to equity holders of the Society, comprising retaining profits as disclosed in the financial statements.

The councillors of the Society regularly review the capital structure of the Society. As part of review, the councillors consider the cost of capital and the risks associates with each class of capital. Based on the recommendations of the councillors, the Society will balance its overall capital structure through the issue of new debt or the redemption of existing debt.

**6. FINANCIAL INSTRUMENTS**

*Categories of financial instruments*

|   | 31-12-2019<br>HK\$ | 31-12-2018<br>HK\$ |
|---|--------------------|--------------------|
| <i>Financial assets</i>                                     |                    |                    |
| Financial assets measured at amortized cost less impairment | 1,037,204          | 925,038            |
| <i>Financial liabilities</i>                                |                    |                    |
| Financial liabilities measured at amortized cost            | 195,088            | 167,083            |

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**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**7. REVENUE**

|   | CIBSE<br>members<br>HK\$ | Non-CIBSE<br>members<br>HK\$ | Total<br>HK\$    |
|---|--------------------------|------------------------------|------------------|
| <u>Year ended 31-12-2019</u>  |                          |                              |                  |
| General grant received from CIBSE headquarters                      | 582,975                  | -                            | 582,975          |
| Grants received for interview fee from CIBSE headquarters           | 60,547                   | -                            | 60,547           |
| Society functional income   | 1,091,310                | 39,600                       | 1,130,910        |
| Net income from co-organised functions<br>with the other associates | -                        | 93,603                       | 93,603           |
| Miscellaneous income  | 13,973                   | 25,076                       | 39,049           |
|   | <u>1,688,258</u>         | <u>158,279</u>               | <u>1,846,537</u> |
| <br>  |                          |                              |                  |
|   | CIBSE<br>members<br>HK\$ | Non-CIBSE<br>members<br>HK\$ | Total<br>HK\$    |
| <u>Year ended 31-12-2018</u>  |                          |                              |                  |
| General grant received from CIBSE headquarters                      | 570,718                  | -                            | 570,718          |
| Society functional income   | 758,975                  | 68,500                       | 827,475          |
| Net income from co-organised functions<br>with the other associates | -                        | 56,988                       | 56,988           |
| Miscellaneous income  | -                        | 16                           | 16               |
|   | <u>1,329,693</u>         | <u>125,504</u>               | <u>1,455,197</u> |

**8. INCOME TAX EXPENSES**

As the Society does not have any income tax liability for the year as the Society is entitled to exempt from all tax payable under Section 88 of the Inland Revenue Ordinance.

Provision for tax is considered not necessary.

**9. PROPERTY, PLANT AND EQUIPMENT**

|   | Office<br>equipment<br>HK\$ |
|---|-----------------------------|
| <b>COST</b>                               |                             |
| At 1 January 2017 and at 31 December 2018 | 38,557                      |
| Additions during the year                 | 9,500                       |
|   | <u>48,057</u>               |
| At 31 December 2019                       |                             |
| <br>                                      |                             |
| <b>DEPRECIATION</b>                       |                             |
| At 1 January 2018                         | 33,318                      |
| Charges for the year                      | 2,620                       |
|   | <u>35,938</u>               |
| At 31 December 2018 and at 1 January 2019 | 4,519                       |
| Charges for the year                      | 35,938                      |
|   | <u>40,457</u>               |
| At 31 December 2019                       |                             |
| <br>                                      |                             |
| <b>NET BOOK VALUE</b>                     |                             |
| At 31 December 2019                       | <u>7,600</u>                |
| At 31 December 2018                       | <u>2,619</u>                |

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**THE CHARTERED INSTITUTION OF BUILDING SERVICES ENGINEERS HONG KONG LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| 10. CASH AND CASH EQUIVALENTS                                    | 31-12-2019<br>HK\$ | 31-12-2018<br>HK\$ |
|--|--------------------|--------------------|
| Cash and cash equivalents in the statement of financial position |                    |                    |
| Bank balances  | 473,575            | 393,189            |
| Cash balances  | 19,712             | 35,544             |
|  | <u>493,287</u>     | <u>428,733</u>     |
| Cash and cash equivalents in the statement of cash flows         |                    |                    |
|  | <u>493,287</u>     | <u>428,733</u>     |

| 11. LEASE COMMITMENT   | Year ended<br>31-12-2019<br>HK\$ | Year ended<br>31-12-2018<br>HK\$ |
|--|----------------------------------|----------------------------------|
| Minimum lease payments paid under operating leases during the year |                                  |                                  |
| Premises   | 45,600                           | 41,580                           |
|  | <u>45,600</u>                    | <u>41,580</u>                    |

At the end of reporting period, the Society had contracted with landlord for the following future minimum lease payments :

|  | 31-12-2019<br>HK\$ | 31-12-2018<br>HK\$ |
|--|--------------------|--------------------|
| Within one year                        | 47,400             | 45,600             |
| In the second to fifth years inclusive | -                  | -                  |
|  | <u>47,400</u>      | <u>45,600</u>      |

**12. RELATED PARTIES TRANSACTIONS**

- (i) Transactions with connected and related society and CIBSE members  
Transactions with connected and related society and CIBSE members were disclosed in note 7 to the financial statements.
- (ii) Compensation of Councillors and key management personnel  
There were no short-term and post-employment benefits paid to the Councillors and key management personnel during the year.

**13. CONTINGENT LIABILITIES**

The Society did not have any contingent liabilities at 31 December 2019.

**14. SYSTEM OF CONTROL**

In common with many businesses of similar size and organisation, the Society's system of control is dependent upon the close involvement of the Councillors. Where independent confirmation of the completeness of the accounting records and contingent liabilities were not available, we have accepted assurances from the Councillors that all the Society's transactions, including income and expenses, and provision for contingent liabilities have been fully reflected in the records.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been re-classified in order to conform with current year's presentation.

**16. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Councillors of the Society and authorised for issue on 6 November 2020.