



# Hong Kong International School Association Limited

Report of the Committee of Managers and  
Financial Statements  
for the year ended 31 July 2024



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## Report of the Committee of Managers

The Committee of Managers ("the Committee") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 July 2024.

### Principal place of business

Hong Kong International School Association Limited ("the Association") is an Association incorporated and domiciled in Hong Kong and has its registered office at 6 South Bay Close, Repulse Bay, Hong Kong, and principal place of business at 700 Tai Tam Reservoir Road, Tai Tam, Hong Kong.

### Business Review

#### Nature of Business

The Association maintains and operates Hong Kong International School ("HKIS" or the "School"), a co-educational private day school. HKIS is registered (Registration Number 21377) under the Hong Kong Education Ordinance (Chapter 279 of the Laws of Hong Kong), and is a registered charitable institution, with tax-exemption status under Section 88 of the Inland Revenue Ordinance. HKIS is accredited by the Western Association of Schools and Colleges ("WASC"), one of the regional accreditation agencies of the United States, and is a member of the East Asia Regional Council of Overseas Schools ("EARCOS").

HKIS serves students from Reception 1 through Grade 12 in the international community who seek an American-style college preparatory education in a Christian setting. HKIS strives to develop creative, collaborative, resilient, and caring people who are passionate about meeting the needs of the larger global community.

HKIS provides educational excellence with a difference. The School focuses on developing the whole child and is committed to nurturing each and every child to achieve his or her full potential. HKIS is dedicated to offering the best in academic excellence to ensure a solid foundation for a university education and a well-rounded life. The curriculum at HKIS is challenging and invigorating with both international and multicultural elements including a focus on Chinese language and culture. Students engage the world through integrated service learning and required service programs from grades 1 through 12, volunteering over 5,000 hours of service each year. Opportunities abound to extend learning outside of the classroom through student involvement in clubs, athletics, and other after school activities. HKIS graduates can be found at many of the world's finest universities, with over 80% choosing to attend a US institute of higher education. The class of 2024 college matriculation list can be found on our website ([www.hkis.edu.hk](http://www.hkis.edu.hk)).

## Business Review (continued)

Serving over 3,000 students, HKIS has four school divisions on two campuses on the South-side of Hong Kong Island. The Lower and Upper Primary Schools are located in Repulse Bay while the Middle and High Schools are located in Tai Tam.

Driven by its Mission, Vision and Student Learning Results, HKIS is an embracing place. The School is blessed with dedicated and caring international educators, outstanding facilities and resources, and tremendous parent and community support.

### MISSION

Dedicating our minds to inquiry, our hearts to compassion, and our lives to service and global understanding

An American-style education grounded in the Christian faith and respecting the spiritual lives of all

### VISION

HKIS will be a leading place of learning that inspires a socially engaged community of collaborative, creative, and resilient learners dedicated to realizing their full potential.

### STUDENT LEARNING RESULTS



#### Academic Excellence

Students will achieve their highest intellectual potential by striving for and attaining the highest standards of academic excellence.



#### Spirituality

Students will understand and respect Christianity and other religions and will identify and develop their own spiritual identity.



#### Character Development

Students will demonstrate respectful and caring attitudes at school and in the community, as well as the courage to stand up for what is right.



#### Self-Motivated Learning

Students willingly apply a variety of learning and motivation strategies throughout their learning process.



#### Contributing to Society

Students will develop the skills they need to form genuine relationships in our diverse society and to make contributions to our community.



#### Chinese Culture

Students will gain an understanding of China and an appreciation of the Chinese culture.

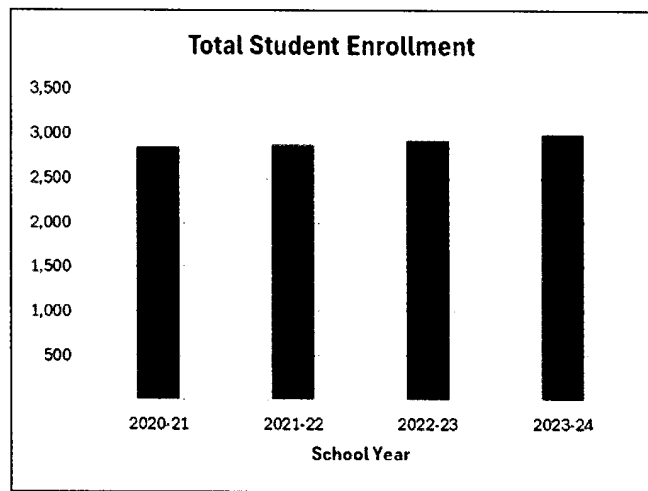
## Business Review (continued)

### Operating and Financial Performance

The Association is a registered charitable organization with a strong commitment to long-term financial sustainability. The Association's operating and financial key performance indicators during the year include Student Enrollment, Tuition and Fees, Personnel Costs, Charitable Gifts Received, and Cash Reserves and Investments.

#### **Student Enrollment**

HKIS's income is largely dependent on student enrollment. Management is committed to ensuring that the School operates at optimal capacity. HKIS consistently receives a healthy level of applicants and a waiting pool is normally observed in most grade levels. Applicants are subject to entry evaluations to help ensure that the student will be able to thrive in the HKIS educational environment. As over 85% of the HKIS student base is from expatriate families, enrollment can be impacted from expatriate shifts to/from home countries. In fiscal year 2024, HKIS served over 3,000 students.

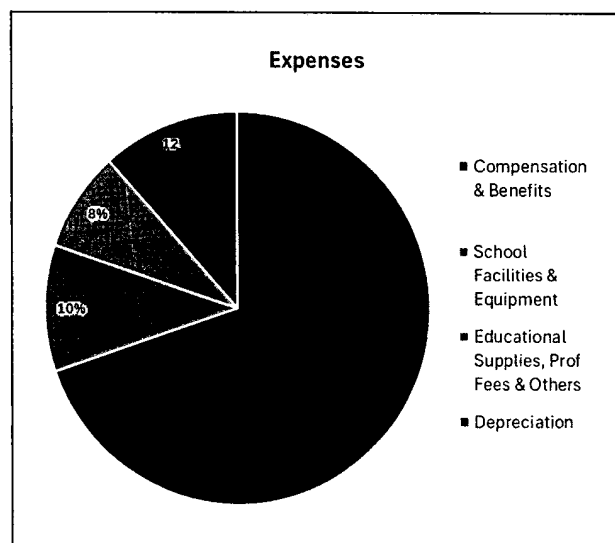


#### **Tuition and Fees**

HKIS sets tuition fees as necessary to cover the actual costs of providing educational services to its students. Fees have increased as necessary to reflect cost increases, primarily in the areas of personnel compensation and benefits.

#### **Personnel Costs**

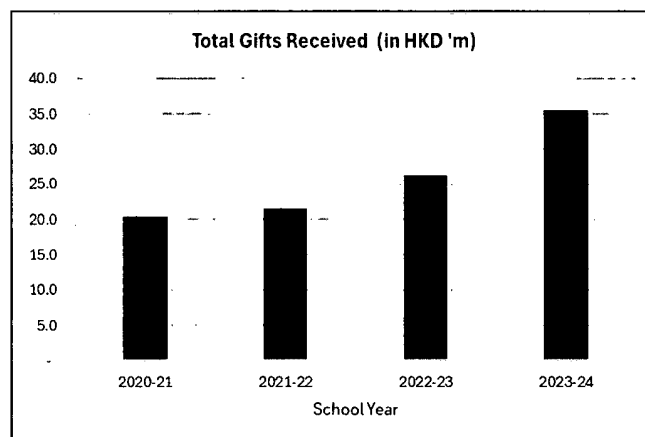
The largest cost category for HKIS is personnel costs at around 70% of the total operating expenses. Management is committed to ensuring HKIS provides competitive remuneration packages to recruit and retain high quality teaching professionals and support staff while remaining fiscally responsible.



## Business Review (continued)

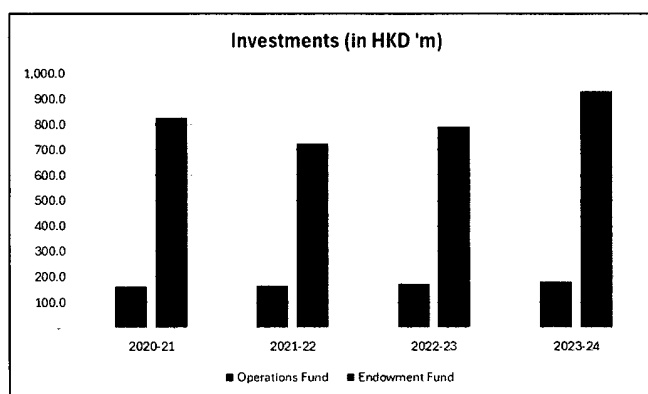
### Charitable Gifts Received

HKIS also receives generous philanthropic financial support from individuals and corporations. These funds provide additional resources to make HKIS a truly unique place. Gifts to the HKIS Annual Fund generally support additional programming, learning resources, software, library materials, equipment, faculty professional development, and the addition or expansion of student programs. Gifts were also received towards the Endowment, Scholarship Fund and Building Fund. Total gifts received remained healthy at HK\$35.4 million.



### Cash Reserves and Investments

The School's policies help ensure sufficient financial resources for its current operations as well as preserving the purchasing power of assets for the use of future generations of HKIS students. Three investment funds have been set up for this purpose.



- The Operating Reserve Fund has been established and invested alongside with the Endowment Fund to help support the School's financial requirements in times of temporary economic distress. During fiscal year 2024, the Fund was managed such that the market value approximates three months of student fee income (HK\$181 million).
- The Endowment Fund has been established to provide essential financial support for current operations through careful management of the endowment capital over time (HK\$932 million).
- The Major Projects Fund has been established to support specific financing needs related to specified major capital projects that support HKIS's on-going operations and/or provide additional learning spaces for new student programs. Currently, the reserves have been fully utilized to support the construction and development of the Student Activity Center. A capital levy fee, assessed on each student annually, helps build the Major Projects Fund reserves.

## **Business Review (continued)**

### **Environmental Performance**

The Association is committed to environmental responsibility and is not aware of any non-compliance with relevant Hong Kong ordinances appropriate to the scope of its operation that would have a material impact on its operations or financial results.

HKIS has received ISO14001 environment management certification of its buildings and facility operations which is successfully renewed each year with zero non-compliance. The School has also obtained WELL certification which meets industry standards for health & well-being and the environment.

The School has also embarked on a journey to reduce its carbon emissions by investing in and adapting the Science Based Targets initiative (SBTi). This will be implemented in phases with a commitment towards achieving key targets in the reduction of its greenhouse gas emissions.

Additionally, environmental responsibility is integrated into the School's facilities planning, curriculum units and community. Examples include the installation of a central water cooling system and solar panels, maintaining an on-campus organic herb garden and green farm, reducing plastic, paper and printing, as well as an on-going series of recycling programs and other programs focused on environmental sustainability. Students actively support and are engaged in these efforts.

### **Risks and Uncertainties**

The principal risks and uncertainties facing the Association are broadly grouped as:

- The financial performance of HKIS largely depends on student enrollment. The School may face unforeseen risks and uncertainties that could affect the number of students and the related tuition fee income.
- The School relies on the recruitment and retention of qualified teaching professionals. Hiring and retaining such professionals could impact the quality of the school's educational services.

External factors that may impact the Association include the following:

- Reputation of the organization.
- Operational cost variances.
- Hong Kong expatriate trends:
  - The economic climate may potentially impact the number of expatriate parents in Hong Kong, from which the student pool is largely drawn.
  - The risk of environmental and political uncertainty may impact the attractiveness of South-East Asia and Hong Kong as an expatriate destination.

### **Business Review (continued)**

- Competition from other International Schools in Hong Kong and Independent Schools in the United States.
- Developments within the standard American education curriculum.

The Association's management and governance structure enables these key risks and uncertainties to be monitored and managed appropriately.

## **Business Review (continued)**

### **Key Relationships**

#### ***Students***

HKIS students come from over 40 nations. HKIS strives to develop creative, collaborative, resilient, and caring people who are passionate about meeting the needs of the larger global community.

HKIS uses a comprehensive standards-based curriculum. Standards are adopted based on frameworks established in the United States, including the Common Core, Next Generation Science and C3 standard. The Understanding by Design (UbD) model, which seeks to structure teaching for understanding, guides in the formulation of HKIS's written curriculum. Students understand when they acquire important new knowledge and skills, make meaning of big ideas related to the knowledge and skills, and transfer this learning to new and authentic situations. HKIS aligns curriculum, instruction and assessment to allow students to demonstrate understanding by developing enduring understandings and building on previous learning experiences and previously learned knowledge and skills. HKIS teachers regularly update and revise curricula to reflect current best practices and research.

#### ***Faculty***

HKIS's faculty members are the key resource to achieve the objectives of the Association, organizing and providing high quality programs and training opportunities to the community. HKIS has a recruitment process to identify suitable candidates and compares annual benchmarks of compensation and professional development data against peer schools in Hong Kong and the region, ensuring that competitiveness is maintained. HKIS attracts and retains an outstanding faculty, over 70% of whom hold advanced degrees, by providing a vibrant work environment and investing in exceptional professional development opportunities. The average tenure is approximately 7 years, with over 70 faculty members having served at HKIS for 10 or more years. The average faculty-student ratio is 1:10.

## **Business Review (continued)**

### ***HKIS Community***

HKIS receives tremendous active parent community support through the Parent Faculty Organization and the HKIS Booster Club, whose volunteer services are very much appreciated.

The PFO supports the school, fosters partnership between school and home, builds a sense of community, and raises funds for school-related purposes. The PFO is composed of parents, staff and faculty volunteers. In addition to providing programs for new parents, it sponsors major community building events including the Pumpkin Festival, Chinese New Year festivities and the World's Fair. The PFO also organizes book fairs and other activities that benefit the entire HKIS community.

The HKIS Booster Club exists to promote school spirit and to strengthen the Secondary extracurricular programs, including clubs, service organizations, the arts and athletics teams. With the help of many parent volunteers, the Booster Club operates the Dragon Shop, an on-campus store that offers school uniforms, stationery items, giftware and school spirit items. Income earned through Dragon Shop sales is given back to the school through donations and grants.

### **Future Developments**

HKIS is committed to enhancing its long-term Master Facilities Plan, which aims to upgrade and construct exceptional facilities that support student learning at every educational stage. This initiative focuses on developing and improving facilities that are not only state-of-the-art but also conducive to creating an optimal educational environment for students.

Previous investments have included the re-development of a new Lower Primary School building and significant renovations to the Upper Primary School. The Master Facilities Plan also emphasizes on-going improvements to classrooms in the Middle School and High School, which enhance the overall learning experience for students.

Looking ahead, the School is excited to introduce several new facilities, including a Student Activity Center and a state-of-the-art Performance Hall and Music Center. These developments are strategically designed to provide students with the ideal educational spaces they need to thrive, from Reception 1 through Grade 12, supporting their journey toward reaching their full learning potential.

The Association is not aware of any events subsequent to the financial year end, and up to the date of this report, that would have a material impact on its operations or financial results.

## Members of the Committee of Managers

The members of the Committee of Managers during the financial year and up to the date of this report were:

Ho Young Kim (Chairman)

Karena Uta Belin

Timothy William Blakely

Leontine Denise Chuang

Wei Dian

Christina Gaw

Alistair Jor Ting Ho

David Kam Fai Kan

Ji-II Kwon

Vincent Paul Li

Joel Matthew Scheiwe

Kosmas Kalliarekos (Resigned on 22 January 2024)

Eunei Lee (Appointed on 27 May 2023 and resigned on 22 January 2024)

On 22 January 2024, in accordance with Article 26 of the Articles of Association, Christina Gaw retired and being eligible offered herself for re-election.


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

No transaction, arrangement or contract of significance to which the Association was a party and in which members of the Committee of Managers of the Association had a material interest, subsisted at the end of the year or at any time during the year.

## Auditor

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Committee of Managers



Ho Young Kim

Chairman

Hong Kong

20 January 2025

# Independent auditor's report to the members of Hong Kong International School Association Limited

(Incorporated in Hong Kong and limited by guarantee)

## Opinion

We have audited the financial statements of Hong Kong International School Association Limited ("the Association") set out on pages 14 to 42, which comprise the statement of financial position as at 31 July 2024, the statement of income and expenditure and other comprehensive income, the statement of changes in reserves and cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 July 2024 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Information other than the financial statements and auditor's report thereon

The members of the Committee of Managers of the Association are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

# Independent auditor's report to the members of Hong Kong International School Association Limited (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

## **Responsibilities of the members of the Committee of Managers for the financial statements**

The members of the Committee of Managers 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 members of the Committee of Managers 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 members of the Committee of Managers are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Committee of Managers either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



# Independent auditor's report to the members of Hong Kong International School Association Limited (continued)

*(Incorporated in Hong Kong and limited by guarantee)*

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Committee of Managers.
- Conclude on the appropriateness of the members of the Committee of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Certified Public Accountants

8<sup>th</sup> Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

20 January 2025

Statement of income and expenditure and other comprehensive income  
for the year ended 31 July 2024  
(Expressed in Hong Kong dollars)

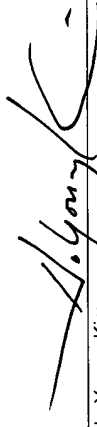
	Note	2024				2023					
		Academic Operations	Major Projects	Endowment	Elimination	Total	Academic Operations	Major Projects	Endowment	Elimination	Total
Income											
Student fees	3(a)	\$ 675,135,125	\$ -	\$ -	\$ -	\$ 675,135,125	\$ 646,055,175	\$ -	\$ -	\$ -	\$ 646,055,175
Capital levy		2,758,340	59,152,385	-	-	61,910,725	2,794,000	56,201,000	-	-	58,995,000
Extracurricular activities	3(c)	36,459,833	-	-	-	36,459,833	25,174,122	-	-	-	25,174,122
Rental		-	-	5,119,903	-	5,119,903	-	-	6,619,613	-	6,619,613
Notional rental		43,697,780	-	9,688,065	(53,385,845)	-	44,018,400	-	-	(52,343,400)	-
Donations		15,564,951	7,900,000	11,985,188	-	35,450,139	9,150,892	6,850,000	10,198,492	-	26,199,384
Net investment gain/(loss)	3(b)	116,836	49,108,809	135,156,495	-	184,382,140	44,199	29,880,715	75,854,922	-	105,579,736
Other		3,847,666	-	-	-	3,847,666	2,779,884	-	-	-	2,779,884
		<u>\$ 777,580,531</u>	<u>\$ 116,161,194</u>	<u>\$ 161,949,651</u>	<u>\$ (53,385,845)</u>	<u>\$ 1,002,305,531</u>	<u>\$ 730,016,672</u>	<u>\$ 92,731,715</u>	<u>\$ 100,997,927</u>	<u>\$ (52,343,400)</u>	<u>\$ 871,402,914</u>
Less: Expenses											
Personnel costs	4(a)	\$ 529,305,566	\$ -	\$ -	\$ -	\$ 475,919,721	\$ 519,133,845	\$ -	\$ -	\$ (52,343,400)	\$ 466,790,445
Student travel		18,502,615	-	-	-	18,502,615	9,333,093	-	-	-	9,333,093
Travel/representation		6,992,982	-	-	-	6,992,982	4,280,392	-	-	-	4,280,392
Professional fees	4(b)	16,913,852	-	-	-	16,913,852	13,331,797	-	360,317	-	13,692,114
Educational supplies/materials		12,160,500	-	-	-	12,160,500	11,434,180	-	-	-	11,434,180
Utilities/rates		23,386,022	(83,550)	497,458	-	23,799,930	23,801,592	-	462,592	-	24,264,184
School facilities/equipment/maintenance		55,698,469	-	1,650,894	-	57,349,363	39,427,134	-	1,142,257	-	40,569,391
Depreciation		87,743,398	-	2,278,831	-	90,022,229	82,245,979	-	2,397,518	-	84,643,497
Other expenses		8,222,548	-	965,188	-	9,187,736	10,529,254	-	676,728	-	11,205,982
		<u>\$ 758,925,932</u>	<u>\$ (83,550)</u>	<u>\$ 5,392,371</u>	<u>\$ (53,385,845)</u>	<u>\$ 710,848,908</u>	<u>\$ 713,517,266</u>	<u>\$ -</u>	<u>\$ 5,039,412</u>	<u>\$ (52,343,400)</u>	<u>\$ 666,213,278</u>
Net operating surplus and total comprehensive income for the year		<u>\$ 18,654,599</u>	<u>\$ 116,244,744</u>	<u>\$ 156,557,280</u>	<u>\$ -</u>	<u>\$ 291,456,623</u>	<u>\$ 16,499,406</u>	<u>\$ 92,731,715</u>	<u>\$ 95,958,515</u>	<u>\$ -</u>	<u>\$ 205,189,636</u>

The notes on pages 19 to 42 form part of these financial statements.


# Statement of financial position at 31 July 2024 (Expressed in Hong Kong dollars)

	Note	2024			2023				
		Academic Operations	Major Projects	Endowment	Total	Academic Operations	Major Projects	Endowment	Total
Non-current assets									
Property, plant and equipment	7	\$ 1,759,177,790	\$ 593,936,968	\$ 49,795,392	\$ 2,402,910,150	\$ 1,638,695,787	\$ 431,461,836	\$ 52,074,222	\$ 2,122,231,845
Club debenture		1,340,000			1,340,000	1,340,000	-	-	1,340,000
		<u>\$ 1,760,517,790</u>	<u>\$ 593,936,968</u>	<u>\$ 49,795,392</u>	<u>\$ 2,404,250,150</u>	<u>\$ 1,640,035,787</u>	<u>\$ 431,461,836</u>	<u>\$ 52,074,222</u>	<u>\$ 2,123,571,845</u>
Current assets									
Financial assets held at fair value	8	\$ -	\$ -	\$ 1,113,716,618	\$ 1,113,716,618	\$ -	\$ -	\$ 965,163,039	\$ 965,163,039
Receivables	9	7,139,554	28,651,274		35,790,828	2,714,859	20,935,539	100,000	23,750,398
Prepayments	9	8,865,203		13,675,418	22,540,621	6,474,806		12,032,923	18,507,729
Rental and other deposits	9	1,072,110	33,500	19,250	1,124,860	1,105,086	73,500	19,250	1,197,836
Interfund receivables/(payables)		(77,416,996)	63,444,688	13,972,308	-	(35,666,953)	26,245,270	9,421,683	-
Cash and cash equivalents	10	933,929,963	349,907,493		1,283,837,456	943,597,087	463,387,175	-	1,406,984,262
		<u>\$ 873,589,834</u>	<u>\$ 442,036,955</u>	<u>\$ 1,141,383,594</u>	<u>\$ 2,457,010,383</u>	<u>\$ 918,224,885</u>	<u>\$ 510,641,484</u>	<u>\$ 986,736,895</u>	<u>\$ 2,415,603,264</u>
Current liabilities									
Accounts payable and accruals	11	\$ 37,037,226	\$ 21,657,916	\$ 4,775,652	\$ 63,470,794	\$ 32,459,295	\$ 55,267,037	\$ 8,710,063	\$ 96,436,395
Contract liabilities	11	347,450,127	33,764,000	88,000	381,302,127	326,300,130	29,441,520	173,000	355,914,650
Rental deposits received	11	-	-	754,000	754,000	-	-	924,000	924,000
Organization and class treasuries	11	1,056,780	-	-	1,056,780	1,092,355	-	-	1,092,355
Bank loans	12	-	200,000,000	-	200,000,000	-	200,000,000	-	200,000,000
		<u>\$ 385,544,133</u>	<u>\$ 255,421,916</u>	<u>\$ 5,617,652</u>	<u>\$ 646,583,701</u>	<u>\$ 359,851,780</u>	<u>\$ 284,708,557</u>	<u>\$ 9,807,063</u>	<u>\$ 654,367,400</u>
Net current assets		<u>\$ 488,045,701</u>	<u>\$ 186,615,039</u>	<u>\$ 1,135,765,942</u>	<u>\$ 1,810,426,682</u>	<u>\$ 558,373,105</u>	<u>\$ 225,932,927</u>	<u>\$ 976,929,832</u>	<u>\$ 1,761,235,864</u>
Total assets less current liabilities		<u>\$ 2,248,563,491</u>	<u>\$ 780,552,007</u>	<u>\$ 1,185,561,334</u>	<u>\$ 4,214,676,832</u>	<u>\$ 2,198,408,892</u>	<u>\$ 657,394,763</u>	<u>\$ 1,029,004,054</u>	<u>\$ 3,884,807,709</u>
Non-current liability									
Debentures	13	990,000,000	-		990,000,000	958,500,000	-	-	958,500,000
Bank loans	12	-	414,037,500		414,037,500	-	407,125,000	-	407,125,000
		<u>\$ 990,000,000</u>	<u>\$ 414,037,500</u>	<u>\$ -</u>	<u>\$ 1,404,037,500</u>	<u>\$ 958,500,000</u>	<u>\$ 407,125,000</u>	<u>\$ -</u>	<u>\$ 1,365,625,000</u>
Net assets		<u>\$ 1,258,563,491</u>	<u>\$ 366,514,507</u>	<u>\$ 1,185,561,334</u>	<u>\$ 2,810,639,332</u>	<u>\$ 1,239,908,892</u>	<u>\$ 250,269,763</u>	<u>\$ 1,029,004,054</u>	<u>\$ 2,519,182,709</u>
Reserves									
Fund balances	14	\$ 1,258,563,491	\$ 366,514,507	\$ 1,185,561,334	\$ 2,810,639,332	\$ 1,239,908,892	\$ 250,269,763	\$ 1,029,004,054	\$ 2,519,182,709

Approved and authorized for issue by the Committee of Managers on 20 January 2025

  
Ho Young Kim

The notes on pages 19 to 42 form part of these financial statements.

  
Alistair Jor Ting Ho

## Statement of changes in reserves for the year ended 31 July 2024 (Expressed in Hong Kong dollars)

	Note	Academic Operations	Major Projects	Endowment	Total
At 1 August 2022		\$ 1,223,409,486	\$ 157,538,048	\$ 933,045,539	\$ 2,313,993,073
<b>Change in reserves for 2022/23:</b>					
Total comprehensive income for the year		16,499,406	92,731,715	95,958,515	205,189,636
At 31 July 2023	14	<u>\$ 1,239,908,892</u>	<u>\$ 250,269,763</u>	<u>\$ 1,029,004,054</u>	<u>\$ 2,519,182,709</u>
At 1 August 2023		\$ 1,239,908,892	\$ 250,269,763	\$ 1,029,004,054	\$ 2,519,182,709
<b>Change in reserves for 2023/24:</b>					
Total comprehensive income for the year		18,654,599	116,244,744	156,557,280	291,456,623
At 31 July 2024	14	<u>\$ 1,258,563,491</u>	<u>\$ 366,514,507</u>	<u>\$ 1,185,561,334</u>	<u>\$ 2,810,639,332</u>

The notes on pages 19 to 42 form part of these financial statements.

## Cash flow statement for the year ended 31 July 2024 (Expressed in Hong Kong dollars)

	Note	2024	2023
<b>Operating activities</b>			
Surplus for the year		\$ 291,456,623	\$ 205,189,636
Adjustments for:			
Depreciation		90,022,229	84,643,497
Interest income		(49,935,984)	(29,725,083)
Gain on disposal of investments		(754,610)	(606,663)
Unrealized gain on investments		(138,079,959)	(76,571,061)
<b>Operating surplus before changes in working capital</b>		<b>\$ 192,708,299</b>	<b>\$ 182,930,326</b>
Decrease/(increase) in receivables, deposits and prepayments		12,034,564	(7,069,912)
Decrease in accounts payable and accruals		(14,082,428)	(63,077,407)
Increase in contract liabilities		25,387,477	16,729,342
Decrease in organization and class treasuries		(35,575)	(2,086,129)
<b>Net cash generated from operating activities</b>		<b>\$ 216,012,337</b>	<b>\$ 127,426,220</b>
<b>Investing activities</b>			
Proceeds from sale of financial assets held at fair value		\$ 6,931,662	\$ 1,299,368
Interest received		35,556,721	30,506,410
Payment for purchase of financial assets held at fair value		(16,650,672)	(169)
Payment for purchase of property, plant and equipment		(403,409,354)	(233,301,881)
<b>Net cash used in investing activities</b>		<b>\$ (377,571,643)</b>	<b>\$ (201,496,272)</b>

# Cash flow statement for the year ended 31 July 2024 (continued) (Expressed in Hong Kong dollars)

	Note	2024	2023
<b>Financing activities</b>			
Issue of debentures	10(b)	\$ 41,000,000	\$ 40,000,000
Redemption of debentures	10(b)	(9,500,000)	(30,500,000)
Bank loan proceeds	10(b)	42,000,000	306,000,000
Bank loan repayment	10(b)	(35,087,500)	(24,375,000)
<b>Net cash generated from financing activities</b>		<u>\$ 38,412,500</u>	<u>\$ 291,125,000</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		\$ (123,146,806)	\$ 217,054,948
<b>Cash and cash equivalents at 1 August</b>		<u>1,406,984,262</u>	<u>1,189,929,314</u>
<b>Cash and cash equivalents at 31 July</b>	10	<u>\$ 1,283,837,456</u>	<u>\$ 1,406,984,262</u>

The notes on pages 19 to 42 form part of these financial statements.

## Notes to the financial statements

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 Association's status

The Association is incorporated in Hong Kong and is limited by guarantee and does not have share capital.

In accordance with the Association's Memorandum and Articles of Association, every member of the Association shall, in event of the Association being wound up, contribute an amount not exceeding \$100 to the assets of the Association. The Association had 11 members as at 31 July 2024 (2023: 13 members).

The principal activity of the Association is to carry on the business of managing and maintaining Hong Kong International School.

### 2 Material accounting policies

#### (a) Statement of compliance

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

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

#### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial instruments classified as financial assets held at fair value as explained in the accounting policies set out in note 2(d).

The preparation of 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.

## 2 Material accounting policies (continued)

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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 19.

### (c) *Changes in accounting policies*

New and amended HKFRSs

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Association. None of these impact on the accounting policies of the Association.

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

### (d) *Financial assets held at fair value*

Financial assets held at fair value are recognized/derecognized on the date the Association commits to purchase/sell the investments or they expire. Such investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments other than equity investments

Non-equity investments held by the Association are classified into the following measurement category:

- Fair value at profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVOCI" (recycling)). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

## 2 Material accounting policies (continued)

### (e) Property, plant and equipment

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- |  |                      |
|--|----------------------|
| • School property on leased land and school owned property | Between 5 - 50 years |
| • Furniture, fixtures and equipment                        | 3 - 10 years         |
| • Motor vehicles   | 5 years              |

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

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at each end of reporting period. An impairment loss is recognized in the income and expenditure statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favorable change in estimates used to determine the recoverable amount.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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

## 2 Material accounting policies (continued)

### (f) Leased assets

At inception of a contract, the Association assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) As a lessee

At the lease commencement date, the Association recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Association enters into a lease in respect of a low-value asset, the Association decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Association's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Association will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### (ii) As a lessor

When the Association acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Association allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(r)(ii).

## 2 Material accounting policies (continued)

### (g) Construction in progress

Construction in progress is stated at cost less impairment losses. Cost comprises direct cost of construction, including materials and direct labor. Construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

### (h) Club debenture

Club membership is held on a long-term basis and is stated at cost less impairment loss. An impairment loss is recognized in the income and expenditure statement whenever the carrying amount of such an asset exceeds its recoverable amount.

### (i) Receivables

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

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

The loss allowance is measured at an amount equal to lifetime expected credit losses ("ECLs"), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Association'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.

ECLs are remeasured at each reporting date with any changes recognized as an impairment gain or loss in profit or loss. The Association recognizes an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable 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 Association 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.

### (j) Payables and accruals

Trade and accruals are initially recognized at fair value. Subsequent to initial recognition, trade and accruals are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

## **2 Material accounting policies (continued)**

### **(k) Contract liabilities**

A contract liability is recognized when the customer pays non-refundable consideration before the Association recognizes the related revenue (see note 2(r)). A contract liability would also be recognized if the Association has an unconditional right to receive non-refundable consideration before the company recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(i)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(r)(i)).

### **(l) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognized in accordance with the company's accounting policy for borrowing costs (see note 1(m)).

### **(m) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### **(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in 2(i).

## 2 Material accounting policies (continued)

### (o) *Employee benefits*

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, home leave allowance, professional growth fund 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.
- (ii) The Association operates a Defined Contribution Retirement Scheme ("Defined Contribution Scheme") and a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Occupational Retirement Schemes Ordinance and the Hong Kong Mandatory Provident Fund Schemes Ordinance, respectively. Contributions to the Defined Contribution Scheme and the MPF Scheme are recognized in the income and expenditure statement as incurred.

### (p) *Provisions and contingent liabilities*

- (i) Provisions and contingent liabilities

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

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Association recognises any impairment loss on the assets associated with that contract.

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

## 2 Material accounting policies (continued)

### (q) *Debentures*

Debentures entitle the holder to nominate a child, in connection with the debenture holder, to be provided a priority place in the student applicant waiting pool. Regardless of waiting pool priority, formal admission of the student is subject to the child satisfying the pre-entry academic qualifications as determined by the Committee of Managers from time to time.

Only at the discretion of the Association are the debentures redeemable at face value, once the student leaves the school operated by the Association. In the past, the Association has agreed to redeem debentures on request at face value. According to the debenture agreement, outstanding debentures are redeemable by the holders upon liquidation of the Association; therefore, such debentures are treated as a liability in the Association's statement of financial position.

The act of providing redemptions in the past neither sets a precedent nor obligates the Association to redeem further debentures in the future. The Association will review redemption requests on an individual basis, and such redemptions shall be solely at the discretion of the Association.

### (r) *Income recognition*

Revenue is recognized when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Association is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Association's income recognition policies are as follows:

#### (i) Student fees, capital levies and extracurricular activities income

Student fees include tuition fees, entry fees and application fees. Tuition fees, entry fees, application fees, capital levies and extracurricular activities income are recognized in the school term to which they relate. Application fees income is recognized when it is probable that the fees will be received.

#### (ii) Rental income from leases

Rental income receivable under leases is recognized in the income and expenditure statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the income and expenditure statement as an integral part of the aggregate net lease payments receivable.

#### (iii) Donations

Donations are recognized as income when it is probable that they will be received.

## 2 Material accounting policies (continued)

(iv) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(v) Dividends

Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vi) Sale of financial assets held at fair value

Income from sale of financial assets held at fair value is recognized when the buyer takes legal title to the financial assets held at fair value.

(s) **Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognized in the income and expenditure account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

## 2 Material accounting policies (continued)

### (t) Related parties

- (a) A person, or a close member of that person's family, is related to the Association if that person:
  - (i) has control or joint control over the Association;
  - (ii) has significant influence over the Association; or
  - (iii) is a member of the key management personnel of the Association or the Association's parent.
- (b) An entity is related to the Association if any of the following conditions applies:
  - (i) The entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Association.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 3 Income

	2024	2023
<b>(a) Student fees</b>		
Tuition fees	\$ 664,213,125	\$ 632,574,175
Entry fees	7,080,000	10,050,000
Application fees	3,842,000	3,431,000
	<u>\$ 675,135,125</u>	<u>\$ 646,055,175</u>
<b>(b) Net investment gain/(loss)</b>		
Interest income from fixed time deposits	\$ 49,225,645	\$ 29,724,914
Interest income on investments	710,339	169
Gain on disposal of investments	754,610	606,663
Unrealized gain on investments	138,079,959	76,571,061
Financial asset portfolio management fee	(4,388,413)	(1,323,071)
	<u>\$ 184,382,140</u>	<u>\$ 105,579,736</u>

### (c) Extracurricular activities income

The extracurricular activities provided to our students include, but are not limited to, a range of After School Sports and Music Programs, Summer Programs, Upper Primary Camp, Middle School and High School Service and Leadership Programs. The fees collected cover costs associated with providing the programs to students.

The amount of extracurricular activities income and related expenses recognized in the statement of income and expenditure and other comprehensive income are as follows:

	2024	2023
<b>Extracurricular activities</b>		
Income	\$ 36,459,833	\$ 25,174,122
<b>Less: Expenses</b>		
Personnel costs	13,802,963	13,382,460
Equipment/Material/Supplies/Travel	17,999,018	9,560,610
Utilities	4,245,824	2,661,960
	<u>\$ 412,028</u>	<u>\$ (430,908)</u>

Margin 1.13% -1.71%

**Other trading operations as stipulated in the Education Bureau Circular No. 17/2003 issued by The Education Bureau of the Government of Hong Kong Special Administrative Region**

Nil Nil

#### 4 Net operating surplus for the year

Net operating surplus for the year is arrived at after charging:

	2024	2023
<b>(a) Personnel costs</b>		
Contributions to defined contribution retirement plan	\$ 30,953,653	\$ 28,348,355
Salaries, wages and other benefits	444,966,068	438,442,090
	<u>\$ 475,919,721</u>	<u>\$ 466,790,445</u>
<b>(b) Professional fees/recruitment</b>		
Auditor's remuneration		
- Recurring fees	\$ 293,200	\$ 324,000
- Others	46,800	46,000
- Over provision in prior years	(6,090)	(15,200)
Other professional fees	16,579,942	13,337,314
	<u>\$ 16,913,852</u>	<u>\$ 13,692,114</u>
<b>(c) Finance costs</b>		
Interest on bank loans	\$ 26,602,216	\$ 18,462,230
Less: Interest expense capitalised into properties under development*	(26,602,216)	(18,462,230)
	<u>\$ -</u>	<u>\$ -</u>
<b>(d) Other item</b>		
Depreciation	<u>\$ 90,022,229</u>	<u>\$ 84,643,497</u>

\* The borrowing costs have been capitalised at an average rate of 4.33% per annum (2023: 3.29%).

#### **(e) Government grants**

The Association received reimbursement of government rent and rates for the school buildings paid during the year from the Hong Kong Special Administrative Region Government which amounted to \$6,753,200 (2023: \$6,733,200).

#### 4 Net operating surplus for the year (continued)

##### (f) Scholarship and financial assistance

The Association shall set aside a sum, which shall not be less than 10% (2023: 10%) of its total school fee income to provide scholarships and other financial assistance for deserving students at the School during the school year.

	2024	2023
<b>Scholarship and financial assistance</b>		
At the beginning of the year	\$ (53,608,378)	\$ (57,030,698)
Addition	66,421,313	63,257,418
Scholarship and financial assistance provided	<u>(64,053,602)</u>	<u>(59,835,098)</u>
At the end of the year	<u>\$ (51,240,667)</u>	<u>\$ (53,608,378)</u>

The provision for scholarship / other financial assistance of \$66,421,313 (10% of the tuition fee income) for 2023/24 as required under the Service Agreement with EDB is met by the school.

#### 5 Taxation

The Association is exempt from Hong Kong Profits Tax under section 88 of the Hong Kong Inland Revenue Ordinance.

#### 6 Committee of Managers' remuneration

Pursuant to the disclosure requirement under section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, the Committee of Managers received no remuneration for the current and prior years as members of the Committee of Managers.

## 7 Property, plant and equipment

	<i>School property on leased land</i>	<i>School owned property</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Costs:</b>						
At 1 August 2022	\$ 2,201,905,833	\$ 99,415,622	\$ 424,021,290	\$ 1,412,288	\$ 200,259,224	\$ 2,927,014,257
Additions	5,509,130		14,352,829	341,146	250,101,141	270,304,246
Disposals						
Transfer	12,558,796	3,560,620	2,779,113		(18,898,529)	
Write-off						
At 31 July 2023	\$ 2,219,973,759	\$ 102,976,242	\$ 441,153,232	\$ 1,753,434	\$ 431,461,836	\$ 3,197,318,503
At 1 August 2023	\$ 2,219,973,759	\$ 102,976,242	\$ 441,153,232	\$ 1,753,434	\$ 431,461,836	\$ 3,197,318,503
Additions	5,944,755	7,660,602	24,382,955		332,712,222	370,700,534
Disposals	(5,703,743)		(102,163)			(5,805,906)
Transfer	146,002,841		24,234,249		(170,237,090)	
Write-off						
At 31 July 2024	\$ 2,366,217,612	\$ 110,636,844	\$ 489,668,273	\$ 1,753,434	\$ 593,936,968	\$ 3,562,213,131
<b>Accumulated depreciation:</b>						
At 1 August 2022	\$ 638,106,810	\$ 48,003,000	\$ 303,270,650	\$ 1,062,701	\$ -	\$ 990,443,161
Charge for the year	58,071,121	2,448,326	23,870,562	253,488		84,643,497
Written back on disposal						
At 31 July 2023	\$ 696,177,931	\$ 50,451,326	\$ 327,141,212	\$ 1,316,189	\$ -	\$ 1,075,086,658
At 1 August 2023	\$ 696,177,931	\$ 50,451,326	\$ 327,141,212	\$ 1,316,189	\$ -	\$ 1,075,086,658
Charge for the year	58,871,156	5,708,631	25,263,479	178,963		90,022,229
Written back on disposal	(5,703,743)		(102,163)			(5,805,906)
At 31 July 2024	\$ 749,345,344	\$ 56,159,957	\$ 352,302,528	\$ 1,495,152	\$ -	\$ 1,159,302,981
<b>Net book value:</b>						
At 31 July 2023	\$ 1,523,795,828	\$ 52,524,916	\$ 114,012,020	\$ 437,245	\$ 431,461,836	\$ 2,122,231,845
At 31 July 2024	\$ 1,616,872,268	\$ 54,476,887	\$ 137,365,745	\$ 258,282	\$ 593,936,968	\$ 2,402,910,150

School property on leased land are premises erected on land leased by the Hong Kong Special Administrative Region Government to the Lutheran Church - Missouri Synod for the Repulse Bay Campus and to the Association in the case of the Tai Tam Campus. The Hong Kong Special Administrative Region Government has the right to repossess the land under circumstances specified in the relevant land leases. School owned property located outside of the Repulse Bay and Tai Tam Campuses, including staff quarters, are held under long-term leases ranging from 55 to 75 years.

Property, plant and equipment costing below \$20,000 are expensed. The amount of property, plant and equipment expensed during the year in this manner amounted to \$1,767,884 (2023: \$2,632,549).

## 8 Financial assets held at fair value

	2024	2023
Quoted but unlisted funds outside Hong Kong	<u>\$ 1,113,716,618</u>	<u>\$ 965,163,039</u>

## 9 Receivables, prepayments, rental and other deposits

Receivables, prepayments, rental and other deposits are expected to be recovered or recognized as expense within one year.

## 10 Cash and cash equivalents

### (a) Cash and cash equivalents comprise:

	2024	2023
Deposits with banks	\$ 1,157,907,493	\$ 1,290,369,056
Cash at bank and in hand	<u>125,929,963</u>	<u>116,615,206</u>
Cash and cash equivalents in the statement of financial position and cash flow statement	<u>\$ 1,283,837,456</u>	<u>\$ 1,406,984,262</u>

### (b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Association's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Bank loans (Note 12)	Debentures (Note 13)
At 1 August 2022	<u>\$ 325,500,000</u>	<u>\$ 949,000,000</u>
Changes from financing cash flows:		
Issue of debentures	\$ -	\$ 40,000,000
Redemption of debentures		(30,500,000)
Proceeds from bank loans	306,000,000	
Repayment of bank loans	<u>(24,375,000)</u>	
Total changes from financing cash flows	<u>\$ 281,625,000</u>	<u>\$ 9,500,000</u>
As 31 July 2023	<u>\$ 607,125,000</u>	<u>\$ 958,500,000</u>

## 10 Cash and cash equivalents (continued)

	Bank loans (Note 12)	Debentures (Note 13)
At 1 August 2023	\$ 607,125,000	\$ 958,500,000
Changes from financing cash flows:		
Issue of debentures	\$ -	\$ 41,000,000
Redemption of debentures		(9,500,000)
Proceeds from bank loans	42,000,000	
Repayment of bank loans	(35,087,500)	
Total changes from financing cash flows	\$ 6,912,500	\$ 31,500,000
As 31 July 2024	\$ 614,037,500	\$ 990,000,000

## 11 Accounts payable and accruals, fees received in advance, contract liabilities, rental deposits received and organization and class treasuries

Accounts payable and accruals, fees received in advance, contract liabilities, rental deposits received and organization and class treasuries are expected to be settled within one year.

The organization and class treasuries payable represent contributions from students, committed to be used for various student activities.

### Contract liabilities

When the Association receives a deposit before the related education activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognized on the project exceeds the amount of the deposit.

Movements in contract liabilities are as follows:

As at 1 August 2022	\$ 339,185,308
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(339,185,308)
Increase in contract liabilities as a result of receipts in advance	355,914,650
As at 31 July 2023	\$ 355,914,650

**11 Accounts payable and accruals, fees received in advance, contract liabilities, rental deposits received and organization and class treasuries (continued)**

As at 1 August 2023	\$ 355,914,650
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(355,914,650)
Increase in contract liabilities as a result of receipts in advance	<u>381,302,127</u>
As at 31 July 2024	<u>\$ 381,302,127</u>

**12 Bank loans**

	2024	2023
Current		
Revolving bank loan	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Non-current		
10-year term loan	<u>\$ 414,037,500</u>	<u>\$ 407,125,000</u>

As at 31 July 2024, the Association had total banking facilities of approximately \$720,000,000 (2023: 720,000,000), of which \$42,000,000 (2023: 306,000,000) was drawn down as bank loans. The banking facilities were secured by mortgages over certain property of the Association.

The bank loans outstanding as at 31 July 2024 amounted to HK\$614,037,500 (2023: 607,125,000). The borrowing cost of the revolving bank loan was at an effective interest rate of 5.64% per annum and the 10-year term loan was at an effective interest rate of 3.63% per annum. The carrying amounts approximated their respective fair values as at 31 July 2024.

13 Debentures

	2024			2023		
	Corporate debentures	Family debentures	Total	Corporate debentures	Family debentures	Total
2006 Series (note)	\$ 242,000,000	\$ 23,000,000	\$ 265,000,000	\$ 251,000,000	\$ 23,500,000	\$ 274,500,000
2012 Series (note)	144,000,000	72,000,000	216,000,000	144,000,000	72,000,000	216,000,000
2019 Series (note)	143,000,000	366,000,000	509,000,000	135,000,000	333,000,000	468,000,000
	<u>\$ 529,000,000</u>	<u>\$ 461,000,000</u>	<u>\$ 990,000,000</u>	<u>\$ 530,000,000</u>	<u>\$ 428,500,000</u>	<u>\$ 958,500,000</u>

Note: Refer to note 2(q) for the accounting policies of the 2006, 2012 and 2019 series debentures.

## 14 Reserves

### **Capital management**

The Association defines “capital” as its fund balances. The fund balances of the Association are managed according to the financial management guidelines and procedures of the Association in meeting the objectives of the Association with the view of safeguarding the Association’s ability to continue as a going concern and to enable the Association to meet its liabilities as they fall due for the foreseeable future.

The Association’s capital structure is regularly reviewed and managed with due regard to the capital management practices of the Association. The Association is not subject to externally imposed capital requirements.

The Association’s fund balances are segregated for reporting purposes into three funds, including 1) Academic Operations Fund, which reflects fund balances available to meet objectives specifically related to student learning; 2) Endowment Fund, which reflects fund balances that have been restricted by the Members to be invested for the purpose of producing present and future income, while the principal is maintained inviolate and in perpetuity; and 3) Major Projects Fund, which reflects fund balances available for investment in future capital projects.

## 15 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Association’s operations. The Association’s exposure to these risks and the financial risk management policies and practices used by the Association to manage these risks are described below.

### **(a) Credit risk**

The Association’s credit risk is primarily attributable to financial assets held at fair value and cash and cash equivalents. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

In respect of financial assets held at fair value, investments are normally only in liquid securities quoted on a recognized stock exchange and their credit ratings are regularly reviewed by management. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The Association places cash and cash equivalents with major financial institutions with sound credit ratings. Management also regularly review credit standing of these financial institutions and do not expect any of those institutions to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## 15 Financial risk management and fair values (continued)

### (b) Liquidity risk

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

### (c) Interest rate risk

The Association has exposure to interest rate risk through the impact of the rate changes on the 10-year term loan and investments in debt securities.

The Association has not used any interest rate swaps to hedge its exposure to interest rate risk.

#### *Sensitivity analysis*

As at 31 July 2024, it is estimated that a general increase/decrease of 0.5% (2023: 0.5%) in interest rate of 10-year term loan and investments in debt securities, with all other variables held constant, would not have a material impact on the Association's surplus for the year (2023: not material). Other components of reserves would not be affected (2023: \$Nil) by the changes in interest rate.

The sensitivity analysis above indicates the annualized impact on the Association's interest income that would arise assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2023.

### (d) Foreign currency risk

The Association's functional currency is Hong Kong dollars ("HKD"). The Association is exposed to currency risk primarily arising from financial assets held at fair value that are denominated in United States dollars ("USD"). As the HKD is pegged to the USD, the Association considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

### (e) Equity price risk

The Association is exposed to equity price changes arising from equity investments classified as financial assets held at fair value (see note 8). The equity price risk of the investments is managed by the custodian in order to diversify the equity price risk and the investment portfolio. The Association also monitors the risk exposure by reviewing periodic reports from the custodian.

## 15 Financial risk management and fair values (continued)

### (f) Fair values

Financial instruments carried at fair value

HKFRS 13, *Fair value measurement* categorizes fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

At 31 July 2024 and 2023, the balances of the Association's financial assets held at fair value were \$1,113,716,618 (2023: \$965,163,039) (see note 8). These instruments fall into Level 1 and Level 3 of the fair value hierarchy described above.

During the years ended 31 July 2024 and 2023, there were no transfers between levels of fair value hierarchy. The Association's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### (g) Estimation of fair values

The fair value of financial assets held at fair value is based on quoted market prices at the end of reporting period without any deduction for transaction costs.

## 16 Commitments

**Capital commitments outstanding at 31 July 2024 not provided for in the financial statements were as follows:**

	2024	2023
Contracted for	\$ 404,081,169	\$ 559,724,250
Authorized but not contracted for	58,750,312	129,168,108
	<u>\$ 462,831,481</u>	<u>\$ 688,892,358</u>

## 17 Material related party transactions

### (a) Transactions with key management personnel

All members of key management personnel are the members of the Committee of Managers of the Association, and their remuneration as the key management personnel is disclosed in note 6.

### (b) Transaction with other related parties

During the year, the Association entered into the following material related party transactions:

	2024	2023
Amount due to/from related parties	Nil	Nil
Expenses paid/payable to related parties	Nil	Nil
Income received/receivable from related parties	Nil	Nil

## 18 Involvement with unconsolidated structured entities

The table below describes the types of structured entities that the Association does not consolidate but in which it holds an interest.

Type of structured entity	Interest held by the Association	Nature and purpose
Investment funds	Investments in units issued by the funds	To manage assets on behalf of third party investors and generate fees for the investment manager.  These vehicles are financed through the issue of units to investors.

The table below sets out interests held by the Association in unconsolidated structured entities as of 31 July 2024. The maximum exposure to loss is the carrying amount of the financial assets held.

	Carrying amount included in financial assets held at fair value	Total net assets of unconsolidated structured entities (including third party investors)
<b>2024</b>		
<b>Investment in unlisted open-ended investment funds</b>		
HKIS Endowment Fund	\$ 1,098,705,008	\$ 36,745,800,000
Apollo Overseas Partners X, L.P.	15,011,610	28,885,919,111

## 18 Involvement with unconsolidated structured entities (continued)

	<i>Carrying amount included in financial assets held at fair value</i>	<i>Total net assets of unconsolidated structured entities (including third party investors)</i>
<b>2023</b>		
<b>Investment in unlisted open-ended investment funds</b>		
HKIS Endowment Fund	\$ <u>965,163,039</u>	\$ 43,992,000,000

## 19 Key sources of estimation uncertainty

Note 15 contains information about the assumptions and their risk factors relating to financial instruments. Another key source of estimation uncertainty is as follows:

### ***Estimated useful lives of properties, plant and equipment***

The Association estimates the useful lives of its properties, plant and equipment based on the periods over which the assets are expected to be available for use. The Association reviews annually their estimated useful lives, based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of properties, plant and equipment would increase depreciation charges and decrease non-current assets, and vice versa.

## 20 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 July 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 July 2024 and which have not been adopted in these financial statements. These include the following which may be relevant to the Association.

*Effective for  
accounting periods  
beginning on or after*

Amendments to HKAS 1, *Presentation of financial statements:*  
*Classification of liabilities as current or non-current* 1 January 2024

Amendments to HKAS 1, *Presentation of financial statements:*  
*Non-current liabilities with covenants* 1 January 2024

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback* 1 January 2024

Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements* 1 January 2024

Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability* 1 January 2025

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