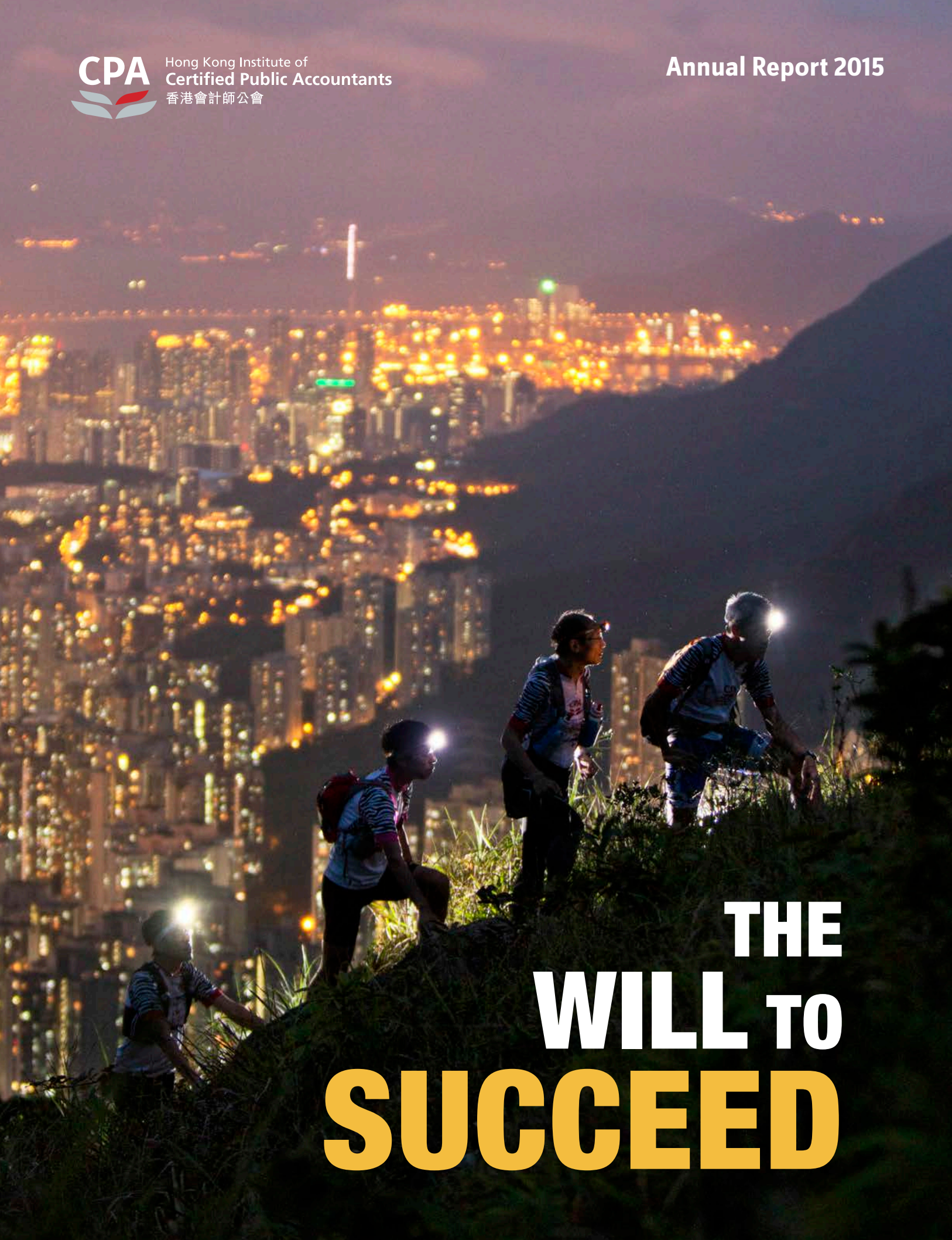




Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Annual Report 2015



**THE
WILL TO
SUCCEED**

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ON THE COVER

The cover picture was taken on a hot summer night in August 2015 on a slope of Fei Ngo Shan, Kowloon. The four CPAs (from left) Jun Au, Terry Chiu, Peter Lo and Edwin Yeung are active members of the Institute's Athletics Interest Group. They have been undergoing intensive training to prepare for the 100km hike of Oxfam Trailwalker in November 2015 and raise funds for the charity. The Institute has 10 teams participating in the event this year. The cover picture together with all other pictures in this report were taken by Colin Beere.

FOREWORD

The will to succeed - in the face of challenges - is a vital element for a professional. Many of our members have achieved their goals through perseverance, open-mindedness and a commitment to go an extra mile. With this spirit, the Institute and the accounting profession have achieved excellent progress this year, as you can read in this annual report.

The same will is exemplified by Hong Kong athletes, who form the heroes of the photo essay in this year's report, which is themed around sport.

Sport is something Hong Kong people are fond and proud of. Like it does as a global financial centre, Hong Kong punches above its weight on the sporting stage. Some of the world's most prestigious sporting events are held in the territory and our athletes flourish in international competitions.

Right down to everyday life, the general public - indeed our CPAs - participate in everything from dragon boating to hiking to training for marathons on the weekends.

As with accounting, sport demands skill, dedication and perseverance, as well as a commitment to nurture the next generation to achieve success. In our photo essay, we look at these parallels between the sporting world and the accounting profession.

And in addition to Institute business, this report brings you vignettes of Hong Kong sporting success stories and the roles of CPAs in them.

**MESSAGE FROM
THE PRESIDENT AND
THE CHIEF EXECUTIVE**



Dennis Ho
President

Raphael Ding
*Chief Executive and
Registrar*



“The government’s public consultation on proposals to improve the regulatory regime for listed entity auditors reached a conclusion, signalling the start of a new phase.”

Dear members,

The Institute began the year with collaborating and outreaching as its themes – connecting with our members, connecting with stakeholders and connecting with the public. It has been a very fruitful period and our profession has finished the year with a strong sense of future purpose, at home, in greater China, and globally.

Stewarding our profession

The government’s public consultation on proposals to improve the regulatory regime for listed entity auditors reached a conclusion, signalling the start of a new phase. We welcome the conclusion that incorporates many of the Institute’s recommendations, although more clarity is needed before the legislative process begins.

Under the reform proposals, there will be division of responsibilities between the Financial Reporting Council and the Institute with regard to listed entity auditors. The FRC would become the independent oversight body vested with inspection, investigation and sanctioning powers, while the Institute would perform the statutory functions of registration, setting standards on professional ethics, auditing and assurance as well as setting continuing professional development requirements.

Our position is that there should be a clear separation of sanctioning powers from those of inspection and investigation within the independent oversight body, which should also have adequate qualified audit professionals to effectively perform regulatory functions. In addition, sanctioning guidelines are needed, and operational costs of the oversight body should come from investors.

The Institute will continue to engage with relevant stakeholders and we are confident that with continued dialogue we will ensure the establishment of an audit regulation system that meets international benchmarks, is appropriate to local context and – most importantly – protects public interests.

After the proposed reform, the Institute will continue to shoulder important regulatory responsibilities for all of

our members. For practising members, we will continue to hold investigative, disciplinary and practice review duties on their non-listed audit engagements, and perform professional standards monitoring of published annual reports to ensure financial reporting and audit quality.

Other members who work in business will also be under the regulation of the Institute. Their professionalism and ethical behaviour are vital to Hong Kong’s success, whether they are working in management of information systems, risk, treasury, corporate finance, corporate governance, compliance, taxation, restructuring, forensic accounting, to name but a few areas.

In addition, the Institute will keep on strengthening its role in setting accounting standards that the profession adheres to – standards which have established Hong Kong’s accounting profession as one of the world’s most respected, and our city as one of the most trusted places to do business. Our Qualification Programme will continue to set a high benchmark to ensure the quality of entrants entering the profession.

Meanwhile, we are firm believers of practising what we preach when it comes to good governance, which is why we will also be putting the Institute’s own operations under the microscope. We have ambitious plans to re-examine the entire governance and management structures of the Institute, to ensure it is fit for future challenges.

In the past three years, the average annual growth rate of the Institute’s membership has been more than 4.5 percent, illustrating the strength of our profession. Along with a thorough review of our regulatory processes and our Qualification Programme, we will leave no aspect of the Professional Accountants Ordinance unexamined to make sure our profession is up to date and ready to flourish in years to come.

Mainland and global outreach

Another ongoing theme for the year was the Institute’s commitment to increasing the depth and breadth of opportunities available to members.

We understand that many of our members work with or in companies on the Mainland, so we maintained outreach and



“In the past three years, the average annual growth rate of the Institute’s membership has been more than 4.5 percent, illustrating the strength of our profession.”

dialogue with Mainland authorities and regulators to advocate on our members’ behalf.

Through our dialogue with China’s Ministry of Finance, we reached special terms and exemptions for Hong Kong CPA firms in regard to the ministry’s provisional regulations on cross-border auditing. To help members meet the requirements, the Institute developed guidance setting out key matters that would be appropriate to include in an agreement that a Hong Kong CPA practice would need to put in place with a Mainland CPA practice in order to audit Chinese companies listed outside the Mainland.

The Institute also engaged the MoF and other Mainland stakeholders in dialogue regarding the access of audit working papers. We are seeing good progress following a number of meetings that enabled in-depth discussion of concerns among all participating parties, including Mainland authorities, Hong Kong regulators and accounting firms from both places.

Globally, we continued to punch above our weight throughout the year, ensuring our members’ voices were heard and taken into account.

The Institute’s Chief Executive was appointed to the Board and the Planning and Finance Committee of the International Federation of Accountants, the global organization for the accounting profession that supports the development and promotes the adoption of high-quality international auditing, ethical and accounting education standards, builds the service capacity of professional accountancy organizations and professional accountants, and speaks out on behalf of the accounting profession on public interest issues.

During the reporting period, the Institute, as chair of the Asian-Oceanian Standard-Setters Group, played host to the group’s annual meeting, and hosted the IFRS Foundation IFRS Conference in October 2015 – giving an opportunity for our members to engage with representatives of the most important standards setting bodies and stakeholders regarding issues that will have an impact on both the Hong Kong and global accounting profession.

The Global Accounting Alliance, of which the Institute is a founding member, held its September board meeting in Beijing and the November one in Hong Kong. The September

meeting was the first time the GAA held its board meeting in the Mainland. The Institute provided logistical support to host these meetings and connected representatives from major accounting bodies with local government officials, regulators and leaders in the profession and business community.

During the year, we held joint events with the ICAEW, CIMA and other leading accounting institutes around the world, allowing a cross-pollination of ideas and enabling our members to acquire the latest innovative resources. And since many of our members work with the business world as auditors and consultants or within it as finance and senior executives, we continued our outreach to the business community with the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce and other business and trade organizations.

Membership initiatives

Members look to the Institute to help keep their current skills sharp and build new ones. Hence we are continuously looking at ways to boost our current CPD as well as build new specialisms to support their career growth. At the same time, we are also taking care of the special needs of our young members.

During the year, the Institute piloted the mentorship programme, which received an overwhelming response with a total of 150 pairs of mentors and mentees being matched, exceeding the original target by 50 percent. The programme offers an opportunity for our aspiring CPAs to boost their career development by learning from experienced members through consultation and experience sharing.

The Institute is presently building the financial controllership programme, which is designed to help practising accountants who are making the transition into the commercial sphere, and to equip those who are fresh to the business world. Uniquely, the programme will be facilitated by very experienced professional accountants in business, many of whom are drawn from the ranks of our own membership, meaning there will be a lot of practical learning and locally relevant content. It will be the first project of its kind ever undertaken by a professional body in the region.

This new course will join our specialist programmes, including our specialist qualification and specialist designation in insolvency and our professional diplomas in taxation. These programmes have had several successful cohorts since they were launched, helping our members who are interested in these areas to develop the specialized skills to prosper.

A broader initiative to allow members to gain new knowledge was the launch of a series of keynote events at which prominent leaders, including those in business and in government, have been invited to speak. Highly popular ones so far include the Current Affairs series, the first event of which was on “One Belt, One Road” and the Asian Infrastructure Investment Bank, delivered by the Deputy Commissioner of the Office of the Commissioner of the Ministry of Foreign Affairs of the PRC in Hong Kong.

Through careful stewardship of our finance and operations, the Institute has once again posted a surplus for this financial period. While ensuring that the Institute maintains a strong financial position to take on future challenges and enhance services tailored for our members, part of the surplus totalling about HK\$7.5 million will be used to give members a rebate, which we encourage them to use for professional development.

For the last two years, the Institute held some of its bank balances in RMB deposits to benefit from a higher interest yield, which was reflected in the financial statements of the last two years. Due to recent devaluation of the currency, the Institute has incurred an exchange rate loss upon maturity of the deposits after the reporting date. The impact has been disclosed in the notes to the current year’s financial statements and will be reflected in next year’s results. Other than that, the Institute does not have any other exposures in foreign currency or investments in securities or other financial instruments.

We endeavour to listen to members’ views at every opportunity, and we plan to make the view-gathering process even more efficient and effective in future through a new member activity system. It will capture and analyse data related to our members so that we can provide tailored services relevant to each of their diverse needs.

This year, we completed another membership survey, and members who took part expressed that CPD and professional development are high on their list of priorities. The Council and management will make it the top of the Institute’s.

Meanwhile, we continue to improve our communications with members and other stakeholders, especially as the Institute’s membership become younger and more diverse. This year we refreshed *A Plus* magazine’s design and content with new elements including thought leadership and practical advice on career advancement; we conducted a survey among

members and set in motion a thorough implementation plan to launch a meaningful social media programme; and we are studying how to revamp the Institute’s website to make it easily accessible through various platforms including smartphones.

Making a difference

Public interest is always a priority for our profession, and that informs what we do in our professional work as well as our community service.

During the reporting period, the Institute completed major submissions and reports regarding the government budget; the Hong Kong stock exchanges’ consultations on environmental, social and governance reporting, risk management and internal control, and weighted voting rights; and the Financial Services and the Treasury Bureau’s consultations on money laundering, corporate insolvency and tax information exchange, among others.

Our annual Best Corporate Governance Disclosure Awards continue to recognize Hong Kong’s best examples of governance, demonstrating what good governance can achieve. We sent our latest corporate governance publication *A Guide on Better Corporate Governance Disclosure* together with the BCGD judges report to all listed companies, to raise awareness of the benefits of good corporate governance.

Meanwhile, our members are generous with their time, contributing their skills in corporate governance and financial management to charity and community organizations as part of the CPAs for NGOs programme. Supporting small- and medium-sized social service organizations receiving the government lump sum grants, the Institute held a seminar with more than 100 agency heads and executives to share tips on setting policies and procedures for improving their governance, accountability, financial management and human resources management.

All in all, this has been a year of excellent progress. We would like to thank the many members, the two vice presidents, the Council and the committee members for volunteering their time and expertise, as well as the staff of the Institute for their dedicated and professional contribution. Their efforts have helped the Institute achieve its many objectives under the Sixth Long Range Plan to bring the profession to a new level. There is still more to be done, but, with all your support and by collaborating with and outreaching to our stakeholders, we are confident more will be achieved.

Sincere regards,

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar



SAILING

Chan Yu-ting (left) and **Fung Tat-choi** give sailing their all. The Hong Kong duo pursued Olympic qualification with full-time training in order to perfect their physical and mental skills at sea. The pair sail on the Nacra 17, a new mixed multihull vessel that can be difficult to control because of its speed. Many of our accountants do the same during the course of their professional life by going an extra mile to achieve a higher goal such as specialization.

Photo was taken in Qingdao, China.

CONSTITUTION, GOVERNANCE AND FINANCE

As both the guardian of the accounting profession and statutory organization acting in the public interest, the Institute is committed to leading by example when it comes to corporate governance. Through world-class levels of governance, we ensure that we maintain the confidence of our members, users of their services and the public.

We continually scrutinize our internal processes and controls to keep up with the times. An increasing focus of the Institute is how to utilize technology to enhance efficiency, security and accountability of our internal operations. Another equally important focus is human resources, and how to attract and keep the most talented people at the Institute who will deliver the highest quality services that help our members and our profession flourish.

The Council

The Council is the governing body of the Institute and makes decisions on matters stipulated in the Professional Accountants Ordinance and on overall strategy, policy and direction. It oversees the Institute's operations and governance with the assistance of several monitoring and advisory committees.

This year, the Council consists of 23 members, all non-executive members who are not compensated. Fourteen are CPAs directly elected by the membership. The Immediate Past President has completed his elected term and remains on the Council for one year to provide continuity. Two ex-officio members are from the government and four lay members, who have high standing in the community, are appointed by the government to provide independent views. Two additional CPAs were co-opted by the Council to round out its skills.

The combination of members from within and outside the accounting profession gives the Council a balanced perspective to debate about the issues it faces. The Council applies strict rules to prohibit its members and other committee members from taking part in any discussions or decisions on matters in which they have a real or apparent

conflict of interest. Council members are prohibited from disclosing any matter coming to their knowledge in the performance of their function as Council members.

Council meetings are held monthly, with a break in August. Individual member attendance can be viewed on the Institute's website at www.hkicpa.org.hk.

Monitoring committees

The monitoring committees consist of the Audit Committee and four accountability boards that ensure the Institute's management and relevant committees are working according to the strategies and policies determined by the Council.

The **Audit Committee** plays a central role in helping the Council fulfil its governance and oversight responsibilities in relation to financial reporting and internal controls. It holds regular meetings with management, the internal auditor and external auditors in order to effectively discharge its delegated responsibilities, and reports to the Council. The Audit Committee is appointed by the Council and consists of five members.

In March 2015, the Institute set up a new whistle-blowing policy to further strengthen its corporate governance. The Audit Committee has contributed to the development of this policy and will continue to provide an independent oversight of the whistle-blowing arrangement to ensure it works effectively.

The **four accountability boards** oversee the following operations of the Institute: regulatory; standards and quality; professional qualifications; and member services. Each board reviews the work of management and relevant committees to ensure that operations of the Institute are executed in accordance with the directions set out by the Council. Details of these activities are covered in respective sections of this report.

Advisory committees

The advisory committees consist of the Governance Committee, Nomination Committee, Remuneration Committee, and Registration and Practising Committee.

“Through world-class levels of governance, we ensure that we maintain the confidence of our members, users of their services and the public.”

During the reporting period, the **Governance Committee** continued to develop and review existing policies, rules and processes governing the Institute, including Council meetings, Council elections, election of the president and vice presidents, co-option of Council members, committee appointments and the role of the Institute in public elections. The committee makes recommendations to the Council with a view to improve objectivity and efficiency in the Institute’s governance.

The **Nomination Committee** makes recommendations to the Council on the appointment of the Institute’s committees and the co-option of Council members. It also approves appointments of Institute representatives to local external bodies on behalf of the Council and makes recommendations to the Council for appointments to international bodies.

The **Remuneration Committee** makes recommendations

to the Council on annual pay adjustments, performance bonuses and other employment terms and conditions. The overall remuneration of general staff is determined by the Council based on the recommendation of the Remuneration Committee and the Chief Executive and Registrar, who makes decisions for individual staff based on documented assessment.

The remuneration of directorate staff is set by the Council, based on the recommendation of the leadership team, comprising the President, Vice Presidents and the Chief Executive and Registrar, and is determined within the parameters of the remuneration policy set by the Remuneration Committee. Council members and committee chairs provide input on performance appraisals of directorate staff.

The remuneration of the Chief Executive and Registrar is determined based on an annual performance review by the whole Council. Remuneration at all levels is determined with reference to staff performance and market information obtained through an annual salary survey.

The **Registration and Practising Committee** is a statutory committee that examines the qualifications of the applicants for registration as members and advises the Council as to whether applications should be accepted or rejected.

It also advises the Council on applications by certified public accountants for practising certificates, and makes inquiries necessary to ascertain whether applicants have the experience required by the Professional Accountants Ordinance to hold such certificates.

In addition, the committee advises the Council on the acceptance or rejection of applications for specialist designations and other matters as the Council may from time to time require.

Execution and finance

Execution of the Council’s policies and decisions is vested in the Chief Executive and Registrar, who is appointed by the Council. The Chief Executive and Registrar is responsible for overseeing the Institute’s activities and

TRAINING ELITE ATHLETES



Hong Kong Sports Institute takes a scientific approach to training the city’s top athletes and provides state-of-the-art and evidence-based methodologies to advance Hong Kong’s sports results to a sustainable world-class level. Since establishment in 2004, HKSI has been identifying and nurturing local sports talent, enabling them to pursue excellence on the world stage. Taking the holistic approach, HKSI also supports elite athletes in education and vocational training for long term personal and career development. HKSI Chairman **Carlson Tong** (a past vice president of the Institute), former chairman **Eric Li** (a past president of the Institute), Vice Chairman **Matthias Li**, Corporate Services Director **Godwin Fung** and Finance Manager **Betty Tsang** are CPAs who create environments to unleash top athletes’ full potential.

day-to-day operations while acting as secretary and policy adviser to the Council.

The Chief Executive and Registrar works with a management team of two Executive Directors, a General Counsel and 12 department and section heads. Together they manage about 200 staff and a network of statutory and decision-making committees, as well as advisory committees and panels.

An Executive Committee comprising the Chief Executive and Registrar, the Executive Directors and the heads of Corporate Communications, Finance and Operations, Legal and Member Support meets each month to make management decisions and consider reports and recommendations to the Council. The President and two Vice Presidents are ex-officio members of the Executive Committee.

The financial management of the group's resources is prudent and financial decisions are based on preserving the Institute's resources to invest for the benefits of our members, our students and the public. In the financial year ended 30 June 2015, the group had a surplus of HK\$14.6 million after tax and had net assets of HK\$392.4 million. We have maintained a sound financial position while we continue to invest in key projects.

During the reporting period, we upgraded our Wi-Fi system with the latest technology to improve internet

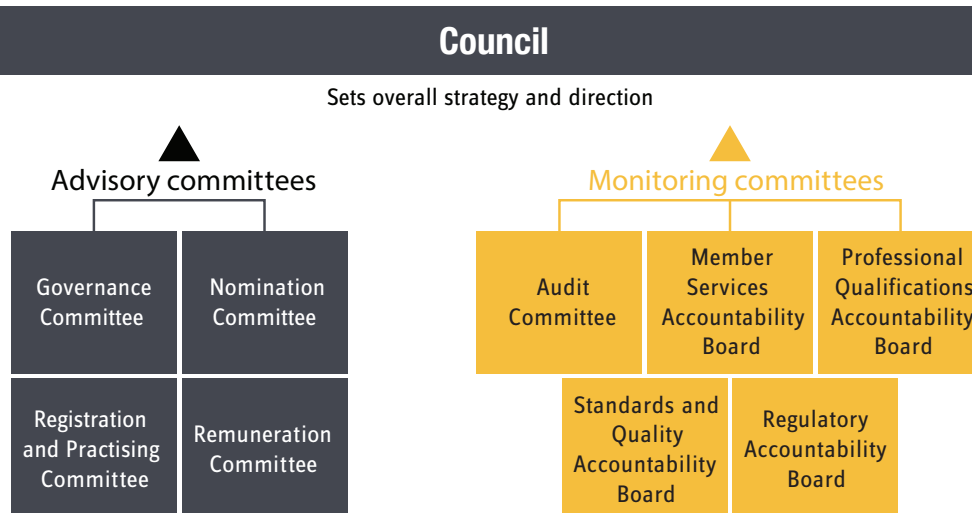
access speed and coverage in our training facilities, library, reception area and conference rooms. We implemented the BoardPad system, which is the leading meeting and document collaboration solution that transforms iPad devices into highly secure digital board and meeting packs, allowing meeting attendees to access online or offline meeting materials from any location instantly.

In addition, we developed a new online examination enrolment system for the HKICPA BAFS (Business, Accounting and Financial Studies) Examination, which eases the work of schools for student enrolment and improves the Institute's administrative efficiency.

The Institute has also continued the revamp of member activities system to enhance data control and improve operational processes related to registration, renewal, professional development and events.

With similar establishment of human resources as last financial year, the Institute was able to enhance its support to members and manage another eventful year full of changes and challenges arising from the finalization of the audit profession reform, rolling out of the Sixth Long Range Plan, increase of international and China activities, revamp of the Professional Accountants Ordinance, review of qualification process and further development of specialist programmes.

Governance structure





TAI CHI

Whatever their age, Hong Kong people love sport, whether it is for interest or health. The same goes for professional accountants as they are dedicated to lifelong learning to keep their mind sharp and stay ahead of the fast-moving world. In the picture is master **Henry Ng** (yellow shirt), 74, who has been teaching *tai chi* voluntarily in the neighborhood of Siu Sai Wan for more than 20 years. His present group practises *tai chi* every morning from Monday to Saturday.

QUALIFICATION AND EDUCATION

Year on year, our membership continues to grow – demonstrating the strength of our profession and its attractiveness to the aspiring young graduates. In June 2015, membership stood at 38,699 members, including 5,292 fellow members. There were 4,393 practising members at that date, up from 4,259 in 2014. The number of member practices has grown from 1,709 in 2014 to 1,763 in 2015, including 488 corporate practices.

So far, 11,934 CPAs have qualified through the Qualification Programme since it began in 1999, and the programme is now firmly established as the most effective route to become a CPA. In providing a pathway for members of other professional bodies to join our Institute, we renewed our Mutual Recognition Agreements with CPA Australia and the Association of Chartered Certified Accountants in July 2015 for five years.

Continuing professional development

The Institute helps members keep their skills up to date and relevant through extensive continuing development programmes. Throughout the year, the Institute’s well-attended CPD events covered topical issues including environmental, social and governance reporting; internal control; taxation; valuation; and independent non-executive directorships.

In the financial year ended 30 June 2015, CPD events comprised:

- 315 face-to-face events (including six collaborative events)
- 307 e-learning programmes (55 were collaborative)

A total of 12,917 members took part in CPD events this year. They accounted for 63,770 attendees, up from 59,470 in 2014, and included 1,274 for collaborative programmes. The total CPD hours accrued were 4,069, including 2,494 hours from collaborative programmes. In addition, the Institute continues to offer free places at selected CPD events to members in need; in the reporting period, 779 free places were taken up.

According to the 2014 annual membership survey, 74 percent of CPD participants say that they have been satisfied with their learning experience and 21 percent are neutral.

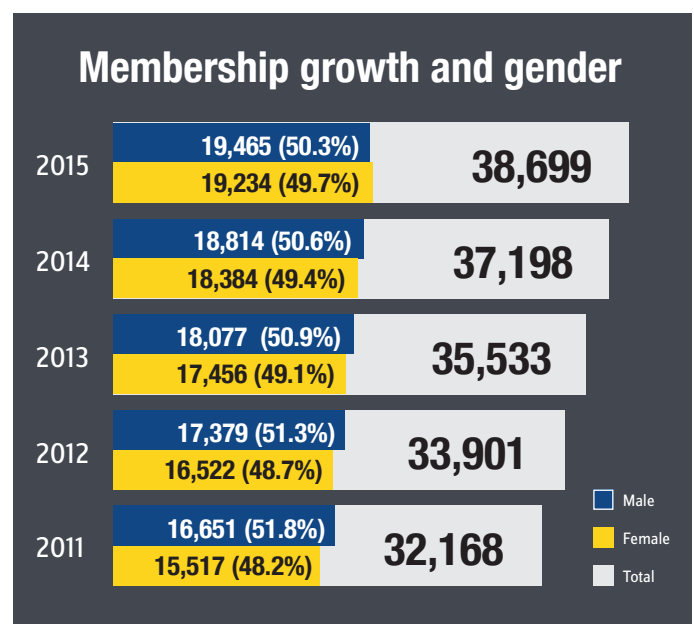
Specialist training

As part of the Institute’s long-term vision to help members deepen their expertise in their specialist fields, the Institute has beefed up the current offering of specialist training and qualification in insolvency and taxation. In insolvency field, another cohort of Insolvency Preparatory II took place from July to August 2014 with 64 enrolments, while Preparatory I was offered twice, from December 2014 to January 2015 and from May to June 2015, with 160 enrolments in total.

The courses form part of the Specialist Qualification in Insolvency, launched in June 2010. Meanwhile the Specialist Designation in Insolvency builds on the specialist qualification and is only awarded to members who have considerable experience and demonstrated competencies in the field. Members who pass the necessary requirements are entitled to use “SQ (Insolvency)” and “SD (Insolvency)” after their names respectively.

In taxation field, the Advanced Diploma in Specialist Taxation was restructured and relaunched in November 2014 as two professional diplomas in Hong Kong tax and China tax.

As part of the new professional diploma, the international tax course took place from December 2014 to March 2015



GYMNASTICS

Natasha Cheung, 9, has benefited from the Yuen Long District Sports Association's gymnastic programme since joining four years ago. Established in 1958, the association has been dedicated to promoting sports in the district and nurturing elite athletes. It houses one of the most well-equipped gymnastic halls in Hong Kong and began offering gymnastic classes in 1999 to provide a clear pathway for the next generation of athletes, as the Institute does for the up-and-coming CPAs.



with 36 enrolments and the China tax course from March to July 2015 with 31 enrolments. Including the former graduates of the Advanced Diploma in Specialist Taxation who were regarded as having successfully completed both diplomas under the new structure, there were 64 and 62 graduates of the Professional Diploma in China Tax and Hong Kong Tax respectively as of June 2015.

Qualification Programme

There were 16,939 registered students at 30 June 2015. Included in that figure were 1,514 Mainland students, comprising 450 Chinese Institute of CPAs members and 1,064 Mainland degree holders. Women accounted for 9,468, or 56% of the total, while male students made up 7,471, or 44%.

There were 626 graduates in the June 2015 session, bringing the total number of QP graduates since the programme began in 1999 to 15,453. This is an increase from 14,148 in 2014.

The number of QP module and final examination enrolments continued to grow, reaching a record high of more than 12,000 at the end of the reporting period. During the year, the Institute awarded scholarships to 86 students of accredited accountancy programmes offered by Hong Kong and Mainland tertiary institutions.

There are 97 programmes now recognized by the Institute for direct enrolment to the QP. During the reporting period, the Institute accredited two new accountancy degree programmes and two new conversion programmes offered

by local tertiary institutions.

As of 30 June 2015, 1,347 employers and 2,085 supervisors have registered as authorized employers or authorized supervisors with the Institute to train budding CPAs.

The Institute continues to support students who do not work under these employers or supervisors by assigning an external authorized supervisor to act as mentor to them. Currently, 86 external authorized supervisors and 40 students have joined this scheme.

Student activities

The Institute organized an annual award ceremony for top QP students and scholarship recipients for the December 2013 and June 2014 sessions. More than 120 guests attended the party held at the Institute's auditorium.

The Institute's QP case analysis competition in Hong Kong (13th year) and in China (6th year) attracted a record total of 660 teams and has become a signature event among tertiary institutions in both places.

The Institute is providing a clear articulation pathway for Business, Accounting and Financial Studies' students who aspire to become CPAs. The HKICPA Examination in BAFS attracted more than 8,000 enrolments from nearly 200 secondary schools in Hong Kong, and is now well-recognized by both students and teachers.

The Institute organized a career forum featuring exhibitions and workshops, as well as a panel of speakers to share their work-life experiences and to discuss topical

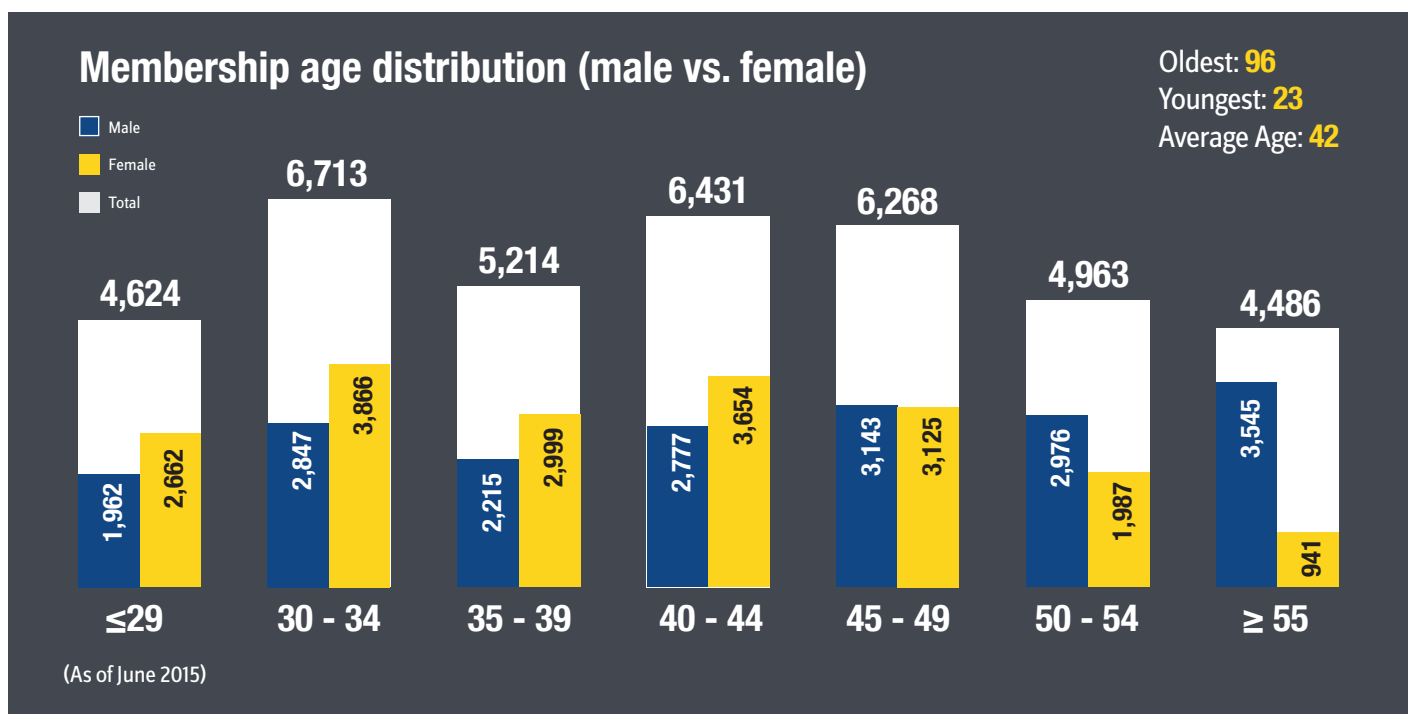


TABLE TENNIS

Athens Olympics 2004 silver medallists **Li Ching** and **Ko Lai-chak** (in the background) use their valuable athletic experience to benefit young hopefuls in Hong Kong. Li now coaches the Hong Kong women's table tennis team, while Ko coaches the men's team. Dubbed the "table tennis twins," Li and Ko continue to look for opportunities to elevate Hong Kong's prestige in the sport, similar to how veteran CPAs act as mentors to budding accountants for the advancement of the profession.

Photo was taken at Hong Kong Sports Institute (more pictures including Ko in action are available from the HKICPA website).



issues concerning the accounting profession. A “Shadow CPA” programme was also introduced for students to experience the daily working life of a CPA. More than 700 universities and QP students participated.

To improve QP students’ techniques in their examination preparation, a post-exam sharing forum was held at the end of each examination session to address common problems that they may have encountered.

To showcase the Institute’s brand and the QP in China, the Guangzhou liaison office was opened in March 2015. It also aims to provide support, development and networking opportunities to members in Hong Kong and China, handle QP liaison work as well as build relationships with business and government sectors.

The Institute co-organized a second career forum with Jinan University in March 2015. Over 500 university students attended forum activities, including a luncheon, career-oriented workshops, and employer exhibitions and interviews.

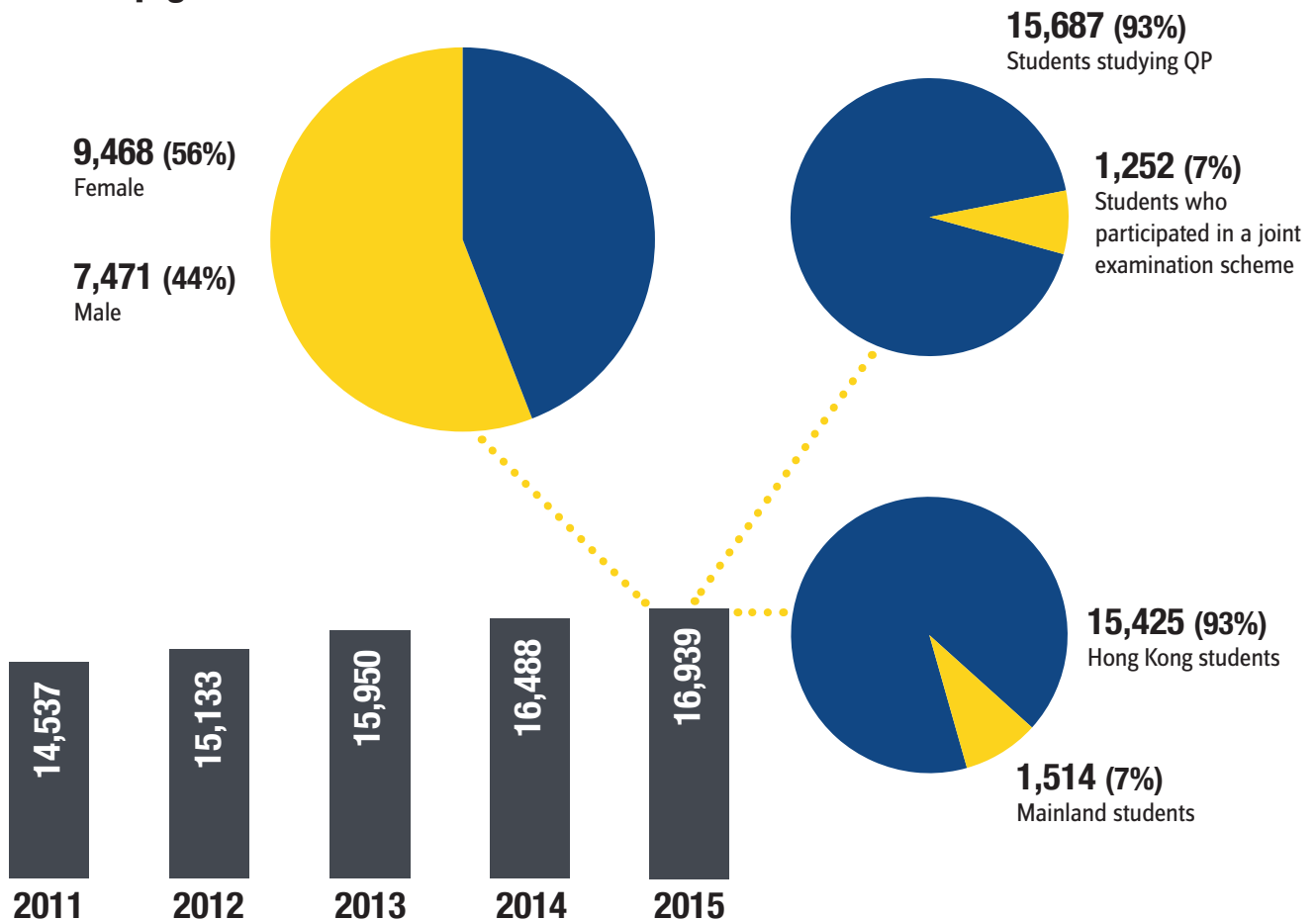
In addition, the Institute collaborated with CPA Canada under a memorandum of understanding to organize joint visits and promotional events for partnering universities in the Mainland for their graduating students to learn more about QP.

Accounting technicians

The Institute’s subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered 7,135 new students to its AAT examination since introducing its new framework in 2009. The examination tests students on their accounting knowledge and understanding of professional ethics.

The HKIAAT has accredited 37 sub-degree accounting programmes. In addition to pursuing a career as an accounting technician, AATs can use their qualification as a bridging route to the QP. The professional bridging examination to the QP continues to be popular and, so far, 1,165 AATs have become eligible for entry to the QP.

Studentship growth



(As of June 2015)



SNOOKER

With her cheerful demeanour, **Ng On-ye**, the reigning Ladies World Snooker Champion who became the first new world ladies' champion in a decade replacing Reanne Evans of England, is one of Hong Kong's most popular sport stars. When she comes to the table, she is a real professional, having to concentrate on precision while following the game rules. Such attributes are also required of CPAs who demonstrate their composure and expertise in international standards to make a difference in high-pressure business situations.

Photo was taken at the World Snooker Club 147 in Sheung Wan, which is managed by On-ye's father Ng Yam-shui, a veteran snooker player.

STANDARDS, ETHICS AND REGULATION

As the standard-setting body for Hong Kong's accounting profession, the Institute is committed to full convergence with International Financial Reporting Standards. This, in addition to our convergence with international auditing, assurance and ethical standards, helps maintain Hong Kong's position as an international financial centre.

The Institute plays a crucial role in supporting the development and effective implementation of standards that have an impact on our profession. We actively gather comments and concerns of our members and other stakeholders, transmitting them to international standard setting bodies. The Institute is fully engaged with the accounting profession internationally and world standard-setters welcome and respect our views.

Once newly issued standards are put into place, the Institute is committed to providing accessible and comprehensive training and advice to our members.

This reporting year, the Institute wrote 17 comment letters on international proposals and issued 21 updates to the members' handbook with revised standards and interpretations.

The Institute took up the chairmanship of the Asian-Oceanian Standard-Setters Group in November 2013 for a period of two years. As chair of the group, the Institute acts as its representative on the IASB Accounting Standards Advisory Forum, which provides an excellent opportunity for us to deepen direct contact and dialogue with the IASB and to build on Hong Kong's reputation as an Asian hub of quality financial reporting practice. Our representatives also attended regular AOSSG meetings and participated in its "centre of excellence for a developing country" programme, which seeks to build standard-setting capacity and capability elsewhere in Asia.

This year, the Institute hosted AOSSG's annual meeting, which was attended by 18 national standard-setters as well as IASB representatives, and forums and panel discussions with visiting IASB members and staff.

Representatives and staff from the Institute attended

meetings held by the World Standard-Setters and the International Forum of Accounting Standard Setters, and the IFRS workshop for national standard-setters from around the region. We also supported the Institute's representative on the IFRS Advisory Council.

We engaged with the International Auditing and Assurance Standards Board and International Ethics Standards Board for Accountants during meetings in New York, which brought together national standard-setters from a number of significant jurisdictions to share views and provide input on major initiatives. The Institute is involved in an IAASB project on group audits.

Locally, we meet regularly with the Hong Kong government, regulators and other key stakeholders to discuss implications of new and revised standards and changes in domestic regulatory requirements, such as the new Companies Ordinance, to the business community.

Training and support

The Institute held about 70 events to support members, including technical update evenings, HKFRS for Private Entities workshops, training for audit managers and audit staff, seminars on the revised code of ethics and the new Companies Ordinance, workshops on how to achieve a successful listing in Hong Kong, workshops on quality control and application of audit practice manuals, forums on financial reporting and auditing, and the popular annual accounting and auditing updates.

At the same time, we continued to make information on new and revised standards accessible to members and the public on a timely basis through channels such as staff summaries, explanatory material published in the weekly e-circular and in the monthly TechWatch bulletin, the Institute's magazine *A Plus*, the small- and medium-sized practitioner and small- and medium-sized enterprise online resource centre, the Companies Ordinance resource centre, and financial reporting and auditing alerts.

The technical resources webpage was monitored

“The Institute is fully engaged with the accounting profession internationally and world standard-setters welcome and respect our views.”

continuously to ensure it remains an effective one-stop source for all technical information.

Quality assurance

The Institute operates two programmes to monitor the quality of the work of our members.

The practice review programme is an important means by which the Institute fulfils its statutory role as regulator of auditors. It adopts international best practice, including giving priority to reviewing practices with listed company clients. In late 2014, desktop reviews were introduced for small practices to shorten the review cycle for all practices and better utilize resources. During the reporting period, 206 site visits and 14 desktop reviews were carried out and the Practice Review Committee considered 207 reports. Where deficiencies were identified, the committee exercised its power to direct firms to take remedial actions, require further site visits or recommend disciplinary actions. Seven cases were recommended for referral to a Disciplinary Committee, of which one concerned the audit of a listed company and was also referred to the Financial Reporting Council.

In 2014, the Institute referred five cross-border engagements to the Supervision and Inspection Bureau of the Chinese Ministry of Finance for review under our memorandum of understanding to extend the coverage of audit engagements in the practice review programme. The Institute will continue to maintain dialogue with the ministry to enhance cooperation and coordination of review work on cross border engagements.

The Institute’s professional standards monitoring programme reviews published financial statements of Hong Kong listed companies, including those of H-share companies audited by Mainland audit firms. During the year, we reviewed 80 sets of financial statements and sent 37 letters to auditors and members with improvement recommendations on identified financial reporting issues. Four cases were referred to the Financial Reporting

Council for investigation about potentially significant non-compliance with professional standards. One case was referred directly to the Professional Conduct Committee of the Institute for consideration of disciplinary actions against the auditor.

The Institute uses the findings from both quality assurance programmes to publish articles and host forums to help members maintain the quality of their work in the areas of ethics, audit, assurance and financial reporting. In addition, the Institute introduced a few new initiatives, including the e-seminar and the Audit Health Screening programme, during the year to help practices improve their audit quality and better prepare for a practice review.

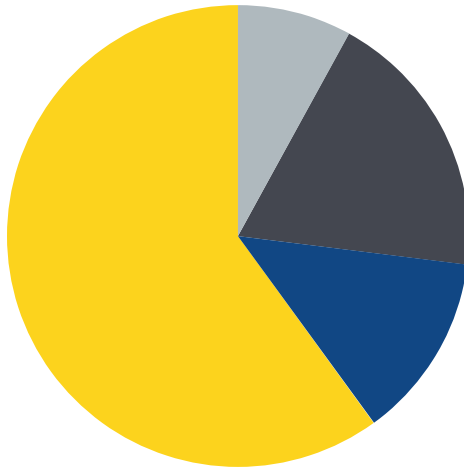
The Institute’s Standards and Quality Accountability Board oversees the work of the Quality Assurance Department. In late 2014, the board endorsed a report

RETURNING VOLLEY



The hard work of the Volleyball Association of Hong Kong, China has greatly contributed to the popularity of the sport in Hong Kong today. The association's establishment 50 years ago intended to raise local standard through nurturing potential athletes. International competitions such as the World Women's Volleyball Challenge Cup (now known as the FIVB World Grand Prix) were held in Hong Kong thanks to the association's commitment. By introducing soft volleyball, which employs a sponge ball instead of a proper volleyball, to primary school students, the association strives to pique interest in young athletes to encourage a greater number of exceptional players. This is achieved with the help of the association's Honorary Treasurer **Seamus Wong**, an Institute member.

89 cases dealt with by Professional Conduct Committee



53 (60%)

Dismissal of unsubstantiated complaints

7 (8%)

Recommendation for referral to Disciplinary Panels

17 (19%)

Issuance of disapproval letters

12 (13%)

Recommendation for resolution by agreement

on a full scope process review on the practice review programme conducted by the Practice Review Committee. The report concluded with satisfactory results.

Compliance

Effective and efficient complaint handling and disciplinary processes are essential for the Institute to regulate the conduct of its members and maintain public trust. The Compliance Department held a seminar during the year to promote good practice and to raise members' awareness of the department's operations and some of the more common sources of complaints.

Initial assessment of the complaints is carried out by the department before they are reported to the Professional Conduct Committee, which has powers to dismiss unsubstantiated complaints and adjudicate minor complaints.

For complaints that are more serious, the committee refers the matter to the Council with recommendations for appropriate action. For moderately serious cases meeting pre-established criteria, the committee may recommend the offer of a non-negotiable resolution by agreement in lieu of formal disciplinary proceedings. Serious cases are referred to the Disciplinary Panels for determination by an independent committee.

During the year, 121 new complaints were received, bringing the total caseload to 171. The Professional Conduct Committee dealt with 89 cases (See breakdown

from the chart above.)

At the beginning of the reporting period, 31 disciplinary cases were in progress. During the year, Council referred another 25 cases to the Disciplinary Panels. The Disciplinary Committees concluded 31 cases this year.

To protect the integrity of the profession, the Institute took regulatory action against individuals or companies that fraudulently represented themselves to be qualified and registered to practise as a CPA (practising), or who were not CPAs but knowingly permitted the use of "certified public accountant" or "CPA" in their name or in connection with their business. Regulatory action taken included:

- Request for corrective actions by unlicensed practice or person (40%)
- Report to police (60%)

The Institute's Regulatory Accountability Board was set up to ensure that the complaint handling and disciplinary processes of the Institute are carried out in accordance with policies determined by the Council, and in the public interest. At the end of 2014, the board conducted a process review of the Compliance Department's operations, including the activities of the Professional Conduct Committee and disciplinary proceedings. The results of the review were positive and concluded that the department has adhered to established internal procedures.

ROWING

Rowing in synchronization, and supporting each other to the finish line is the key to success. The same teamwork is also required for accountants who demonstrate a cohesive mindset and reciprocal respect to achieve business goals. In the picture are (from top) **Dobbie Yuan**, **Tinny Lee**, **Shirley Lee** and **Janelle Yuen** from the Chinese University of Hong Kong, practising on Shing Mun River. CUHK has been the overall champion for 14 years at the Hong Kong Universities Rowing Championships since the popular contest was launched in 1994.



MEMBER SUPPORT AND DEVELOPMENT

The Institute is committed to supporting its members throughout their careers as they grow and flourish, whichever of the myriad paths they choose to pursue, be it practice, business or elsewhere. Outside of work, we encourage our members to strike a work-life balance and embrace a healthy lifestyle.

Specialist development

Many of our members choose to specialize in their fields. The Institute has developed specialist training programmes and accreditations in insolvency and taxation to support the careers of CPAs working in these areas. During the year, the Restructuring and Insolvency Faculty continued to support the Insolvency Preparatory courses and Professional Diploma in Insolvency, while the Taxation Faculty maintained its support for the professional diplomas in Hong Kong and China tax.

During the reporting period, the Institute also set up a range of events to allow peer-to-peer sharing for members of these two faculties. These included regular professional development seminars, cocktails and networking events with a total of around 4,500 enrolments during the year.

Meanwhile, the e-newsletters *The IP's Voice* and *TaxLink* were sent to these members respectively, to help them keep abreast of the latest developments in their fields.

More details about the Institute's work on specialist development can be found in the Qualification and Education section.

Professional interest groups

Corporate finance

Members of the Corporate Finance Interest Group took part in four seminars to discuss topics comprising China mergers

and acquisitions, valuation and investments in early-stage entities, the Shanghai-Hong Kong Stock Connect and listing rule amendments relating to connected transactions. An average of 170 members attended each seminar. The group's quarterly newsletter *Corporate Finance Alert* continued to keep members updated on issues affecting their field.

Financial services

Four seminars were organized for the Financial Services Interest Group on a range of topics: new regulatory regime for stored value facilities and retail payment systems in Hong Kong, proposed regulating regime for the over-the-counter derivatives market in Hong Kong, the emergence of Bitcoin and whether it matters to Hong Kong businesses, and an update of the IASB's Insurance Contracts project and its impact on reported profits of insurance companies. An average of more than 140 members attended each seminar. Elsewhere, 156 members attended a cocktail reception-cum-talk on how Hong Kong's social values could be re-shaped.

Forensics

A number of events were organized for Forensics Interest Group members including joint seminars with the Association of Certified Fraud Examiners Hong Kong Chapter and the Chartered Institute of Arbitrators. A total of 167 members also attended a cocktail party at which Webb-site founder David Webb spoke about the importance of negative research and opportunities for forensic accountants.

Information technology

During the year, a seminar on cyber security was organized for the Information Technology Interest Group, as well as site visits to Ngong Ping 360 and the CITIC Telecom CPC

“Throughout the year, the Institute maintained its support for the diverse needs of different sectors of membership through a range of tailored events to share knowledge and hear their views.”

Cloud Data Centre. The annual IT conference, the interest group’s flagship event, attracted 440 members with the theme “Enabling finance transformation through today’s technologies.”

Mainland business

The Mainland Business Interest Group held seminars entitled “Hong Kong and Mainland China: The outlook of RMB internationalization and REIT development” and “Pearl River Delta two-hour living area – impact on Hong Kong’s economic development,” attracting an average of 157 enrolments.

Property, infrastructure and construction

Seminars and site visits were organized for the Property, Infrastructure and Construction Interest Group members. The seminars “Retail landscape update and shopping centre development in Hong Kong” and “Quantity surveying practice and construction costs in Hong Kong” attracted an average of 210 enrolments. Site visits were made to the Holiday Inn Express Hong Kong Soho to find out more about green and innovative design, the MTR Shenzhen Longhua Line and its property development project, and the Civil Aviation Department headquarters. In addition, 112 members attended the cocktail reception-cum-talk on retail property market and rental trends.

Other support and development

Elsewhere, the Institute co-organized seminars on anti-money laundering for accountants with the Narcotics Division of the Security Bureau, and in conjunction with the Competition Commission’s consultation, *Getting Ready for the Full Implementation of the Competition Ordinance*, invited the commission’s representative to present a seminar to members.

The Institute also took the lead to organize a forum on

the “Public Consultation on the Method for Selecting the Chief Executive by Universal Suffrage” that was supported by 14 accounting-related bodies with over 240 enrolments. We also arranged for our members to visit the Legislative Council Complex this year.

Throughout the year, the Institute’s monthly technical newsletter *TechWatch* continued to keep members updated on the latest news and standards.

The Institute’s membership is broad, and includes members working in a range of disciplines as well as member firms of varying sizes. Throughout the year, the Institute maintained its support for the diverse needs of different sectors of membership through a range of tailored events to share knowledge and hear their views.

Small- and medium-sized practitioners

Two discussion group gatherings were organized for small- and medium-sized practitioners to share their views on a range of topical issues. Two joint seminar-cum-networking lunches were hosted with the Shenzhen Institute of CPAs to discuss the Mainland’s new National Equities Exchange and Quotations, a share transfer system for small- and medium-sized enterprises. There was also a visit arranged to Guangzhou to explore cooperation between Hong Kong and Guangzhou CPA firms.

The Institute held its annual SMP symposium in November, featuring topics affecting SMPs such as taxation and implementation of the new Companies Ordinance, major accounting and auditing standards, and practice review findings. This year’s event was attended by 340 members.

Professional accountants in business

Two evening seminars were held for our members working as professional accountants in business. The first was on



BADMINTON

Badminton pair **Reginald Lee Chun-hei** and **Cathy Chau Hoi-wah**, currently ranked number 10 in the world, are among Hong Kong's best hopes to win a medal at the Rio Olympic Games 2016. The duo enter each match with the same mission, whether to secure more ranking points for a better Olympic seeding, or to work on their consistency as a team. The Institute shares the same mission - providing platforms for members to cross pollinate knowledge and experience to build a strong profession.

Photo was taken at the Hong Kong Sports Institute.

“Institute members were crowned champions in all three categories (10km, half marathon and marathon) of the RSCP marathon competition.”

the new Competition Ordinance, while the second covered proposed changes to the *Code of Ethics for Professional Accountants*. In the meantime, the Institute continued to produce the *Inside Business* quarterly newsletter for members who work in the corporate world.

Young members

During the year, the Institute piloted the mentorship programme, which offers aspiring CPAs the opportunity to boost their career development by learning from experienced members through consultation and experience sharing. The programme commenced in April 2015 and will run for one year. A total of 150 pairs of mentor and mentees were matched, exceeding the original target by 50 percent.

A career conference was held, focusing on the career advancement and mobility of our young members, and over 350 members attended. A members' sharing session also took place, with the topic of making a difference to society.

There were two Mainland-related events during the year for young members. The first was a site visit to Shanghai and Nanjing, and the second was a China heritage and cultural class in Guangzhou.

Throughout the year, there were a number of social gatherings and networking events for young members, including summer drinks, drinks with trade associations, war games, a Christmas party and a talk on parenting.

In addition, our young members also participated in the youth forum 2014 on “Hong Kong 2030: An Ideal City?” and the joint professional networking drinks hosted by the Young Coalition Professional Group of the Hong Kong Coalition of Professional Services.

Corporate events

A number of Institute-wide events were hosted, bringing together all segments of membership as well as engaging other stakeholders.

The Institute's annual dinner is considered the Institute's flagship event, and the 2014 one brought together more than 550 members, with Sir C.K. Chow,

Chairman of Hong Kong Exchanges and Clearing, attending as the guest of honour.

More than 700 guests attended the Institute's National Day celebration, including stakeholders from Hong Kong and the Mainland. Another notable event, the spring cocktail, was attended by 340 guests, stakeholders and committee members.

Sports and recreational activities

The Institute believes that an active lifestyle is important to balance a busy working career. Throughout the year, we continued to provide a vast range of activities to help members build on personal interests, foster team spirit with fellow members, and nurture new friendships.

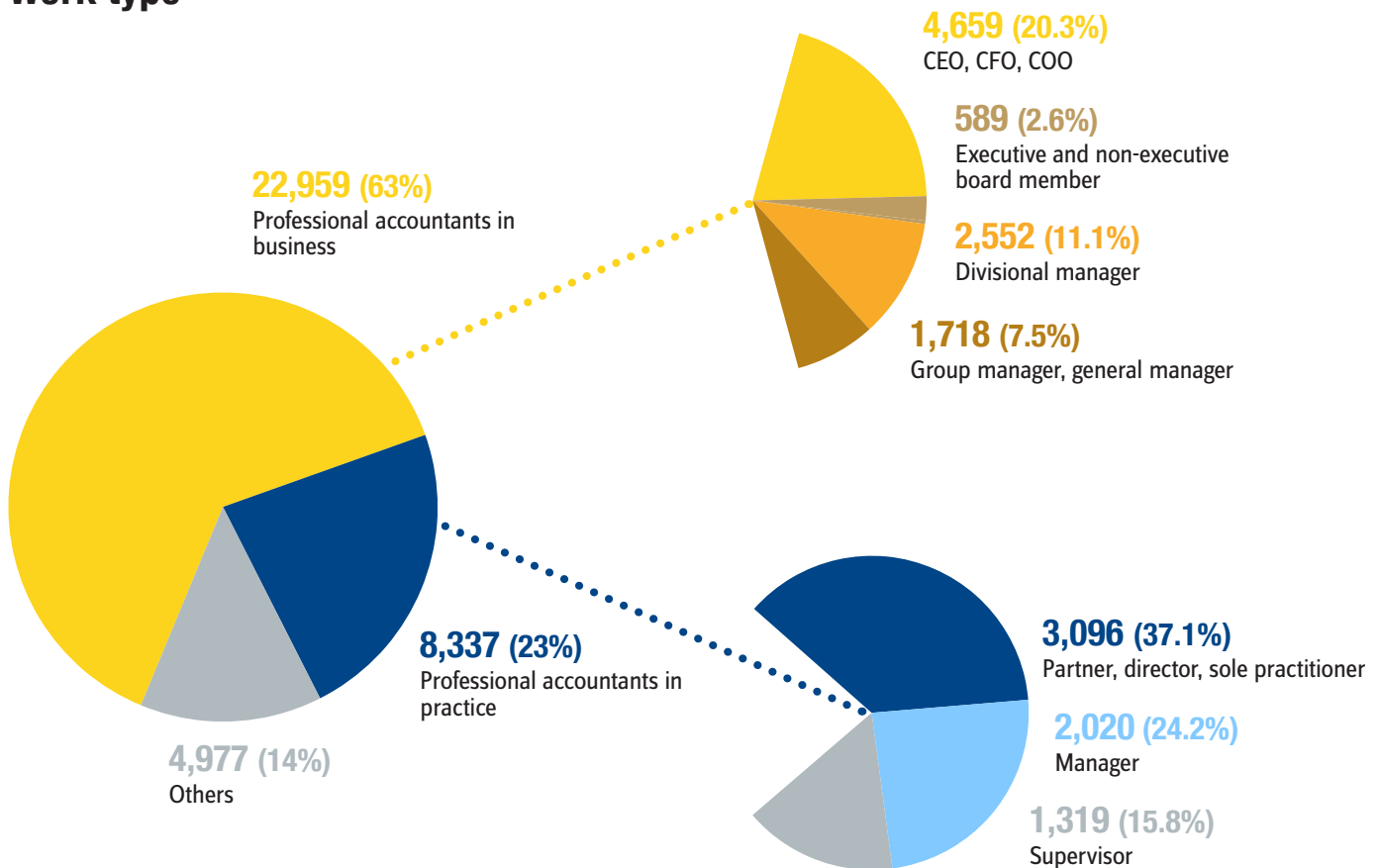
At the end of the reporting period, membership of the Sports and Recreation Club stood at 4,712, an 11 percent increase from last year. During the year, about 490 sports and leisure activities were organized, including annual CPA competitions and cross-professional and cross-border events.

ATHLETICS FOR EVERYONE



Apart from organizing the famous annual Hong Kong Marathon, the Hong Kong Amateur Athletic Association is also busy throughout the year. It sees athletes through from early development to first-rate accomplishments. From track and field to race walking, the association has been promoting athleticism and better health on both domestic and international levels, and training junior and senior athletes into Olympians and champions. The association's most recent accomplishments include medals in the Asian Games, East Asian Games, Asian Athletics Championships and more. **Peter Lee**, Accounts and Administration Manager at the association, is a member of the Institute.

Work type



Source: Member census with 36,273 respondents as of June 2015

Our members took part – and took prizes – in many competitions. The CPA football team clinched the championship (Justice Shield category) in the Homeless World Cup Fundraising Tournament 2014.

The CPA bowling team retained the championship in the Recreation and Sports Club for Hong Kong Professional Bodies (RSCP) tenpin bowling tournament.

In the annual cross-border sports competitions with the Guangzhou Institute of CPAs held in Hong Kong, the Institute's basketball, football and table tennis teams clinched the championships, while badminton team came second.

The CPA team ranked top in the accountancy category with an outstanding time of 19 hours 36 minutes in the Oxfam Trailwalker 2014 100km race. The Institute won the “most supportive group” for the sixth consecutive year at the Standard Chartered Marathon 2015.

Institute members were crowned champions in all three categories (10km, half marathon and marathon) of the RSCP marathon competition. Our CPA runners also clinched six top prizes in the 2015 Business Challenge Cup, while Institute Past President Keith Pogson won the

championship in the SME Chairman Cup.

The CPA golf team became champions at the RSCP golf tournament 2015 as well as taking five individual awards. The team also won the inter-professional golf tournament for the 11th time in the 16 years since the competition was inaugurated.

The CPA basketball team retained the championship in the RSCP basketball tournament for the third consecutive year and also won four individual awards for most valuable player, scoring leader, “assist” leader and 3-point leader.

The Institute's table tennis team and tennis team clinched the championships for women's doubles and men's doubles respectively in a competition organized by the Chinese Manufacturers' Association of Hong Kong.

The CPA badminton team won at the friendly match with four government departments, including Audit Commission, Companies Registry, Inland Revenue Department and the Treasury.

Even on the stage, the Institute's team shone by winning the championship for the group division in the RSCP singing contest 2015.



SWIMMING

Hong Kong record-breaker **Siobhan Haughey** is the city's first swimmer to attain the Olympic A standard, qualifying for a place at the Rio Olympic Games in 2016. The 18-year old clocked in 2 minutes, 13.07 seconds in the women's 200-metre individual medley at the 16th FINA World Championships in Kazan, Russia, and has her eye set on achieving a second A standard in the 100-metre freestyle in the future. Hong Kong young CPAs are similarly ambitious, not resting on their qualified status, but constantly striving to reach top-level standards to live up to the global standing of the Hong Kong accounting profession.

Photo was taken at the West Island School.

MAINLAND AND INTERNATIONAL

Hong Kong CPAs are truly international. They run and advise a broad range of organizations, from the world's largest listed companies to Internet start-ups, and from financial regulators to law enforcement agencies.

They are also China experts, spending a large portion of their professional life across the border. So it is an Institute priority to increase the depth and breadth of opportunities and support to our members there. Through maintaining dialogue and productive relationships with Mainland authorities and regulators, we ensure our members' voices are heard on issues that will impact their profession in both the short term and long term.

Cross-border auditing

One of the key issues surrounding our Mainland activities during the year was cross-border auditing. The Institute leadership team comprising the President, Vice Presidents and the Chief Executive, together with other Institute representatives and staff attended numerous meetings with Mainland authorities in Beijing on this topic.

Through our dialogue with the Ministry of Finance, we were able to reach special terms and exemptions for Hong Kong CPA firms in regard to the provisional regulations on CPA practices carrying out cross-border audit services.

Fostering ties

Throughout the year, we continued to foster closer ties with Mainland authorities and counterparts, in particular in our neighbour Guangdong, on a range of topics affecting our profession. Important activities that took place included:

- The 10th Pan-Pearl River Delta Regional Cooperation and Development Forum held in Guangzhou.

- A meeting with the Vice Governor of the Guangdong Province, its Department of Finance, the Hong Kong and Macau Affairs Office in Guangdong, and the Guangdong and Guangzhou Institute of CPAs to discuss future cooperation.
- An Institute cocktail reception in Guangzhou to cultivate the relationship with Mainland authorities, universities, CPA firms and Institute members in Guangdong.

GOING THE DISTANCE



Standard Chartered Hong Kong Marathon invites athletes to run for a reason, a slogan that has been resonating with many athletes and their supporters. The marathon is Hong Kong's largest participatory annual sporting event that promotes healthy lifestyles by engaging in regular exercise. Lively competition and international attention have made the race one of Asia's most prominent marathons. It receives a record-breaking number of entries each year, earning the title of Silver Label Race by the International Association of Athletics Foundation. Providing financial support to ensure the successful running of the event for the past 19 years is Standard Chartered Bank (Hong Kong). Its Chief Executive Officer **Siew-boi Tan** is a member of the Institute. Active participation in the competition by our members has earned the Institute's recognition as the most supportive group for the past six years.

“Hong Kong CPAs are truly international. They run and advise a broad range of organizations, from the world’s largest listed companies to Internet start-ups, and from financial regulators to law enforcement agencies.”

In addition, the Institute played host to delegations from the Chinese Institute of CPAs, Department of Finance of Guangdong Province, Government of Linyi City in Shandong, Government of Yuzhong District in Chongqing, Guangdong Institute of CPAs, Human Resources and Social Security Administration of Shenzhen Municipality, Shanghai Institute of CPAs, Shenzhen Association of Trade in Services, Shenzhen Local Tax Bureau, State Administration of Taxation, and Union of Beijing Business Services.

The 2014 annual Cross-Straits, Hong Kong and Macau Accounting Profession Conference provided a good opportunity for the Institute to extend its outreach. Our leadership team together with 109 members travelled to Macau to attend the event organized by the Union of Associations of Professional Accountants of Macau. The Institute also held the 2015 conference in Hong Kong in November 2015.

Council’s annual visit

The Institute’s Council usually pays its regular visit to the Mainland on an annual basis, but since this year’s visit was rescheduled from November to May, it resulted in two visits during the reporting period. The authorities we met included the China Securities Regulatory Commission, Chinese Institute of CPAs, Ministry of Finance, Hong Kong and Macau Affairs Office of the State Council, State Administration of Taxation, State-owned Assets Supervision and Administration Commission of the State Council and United Front Work Department of the CPC Central Committee.

During the time, the Council also visited Shanghai to understand more about the operation of the securities

market through a meeting with representatives of the Shanghai Stock Exchange.

Cocktail receptions were also held in Shanghai and Beijing to foster the relationship with the Mainland authorities, universities, CPA practices and Institute members at these municipalities.

Cross-border tax and insolvency

This year the Institute held its third annual meeting with the State Administration of Taxation regarding the growing issues of cross-border taxation that affect Hong Kong. The meeting was held in Beijing in conjunction with the Council’s visit.

The Institute also held a liaison meeting with the Guangdong Provincial Local Taxation Bureau in December 2014. Further liaison meetings with the bureau and the Guangdong Provincial Office of State Administration of Taxation will be held in December 2015.

In addition, representatives of the Institute’s Taxation Faculty paid courtesy visits to various taxation authorities in Guangzhou and Shenzhen.

On cross-border insolvency matters, discussions were held between representatives of the Institute’s Restructuring and Insolvency Faculty and the Shenzhen Law Association. The faculty’s executive committee also reached out to a newly formed association of bankruptcy administrators in Guangzhou.

International

The Institute continued to punch above its weight on the global accounting stage throughout the year, ensuring the voices of our members were heard and taken into account.

The Institute’s Chief Executive was appointed to the

“Through our dialogue with the Ministry of Finance, we were able to reach special terms and exemptions for Hong Kong CPA firms in regard to the provisional regulations on CPA practices carrying out cross-border audit services.”

IFAC Board and its Planning and Finance Committee, while its representatives on IFAC Professional Accountants in Business Committee and the Small and Medium Practices Committee continued to engage in various meetings, projects, working groups or task forces.

As the Chair of Asian-Oceanian Standard-Setters

Group, the Institute played host to the group’s annual meeting, and in October 2015, hosted the IFRS Foundation IFRS Conference.

The Global Alliance Accounting, for the first time, held a board meeting in China, which took place in Beijing in September. Hong Kong hosted the meeting in November.

The Institute nominated a new representative to become a director on the board of INSOL (International Association of Restructuring, Insolvency and Bankruptcy Professionals), which will hold a board meeting in Hong Kong in 2016.

We were also actively engaged in the Asia-Oceania Tax Consultants’ Association, through both its annual meeting and tax conference in October 2014 as well as on various projects. The Taxation Faculty Executive Committee Chair and Deputy Chair represent the Institute as technical advisers on the association’s recently formed technical committee.

With *A Plus* magazine, the Institute extended its connection with wider international personalities such as leaders from the International Valuation Standards Council, U.S. Public Company Accounting Oversight Board, U.K. Financial Reporting Council and all the GAA bodies. The interviews provided important updates to members about global accounting and regulatory development.

For more information about the Institute’s involvements with international standard-setters, please refer to the “Standards, Ethics and Regulation” section.

JOURNEY TO SUCCESS



As one of the largest fundraising sports events in Hong Kong, Oxfam Trailwalker brings together teams of hikers to raise money for poverty alleviation and emergency relief in Africa and Asia by completing the 100km MacLehose Trail within 48 hours. Since 1986, the fundraiser has raised more than HK\$393 million and encouraged teamwork and motivation among more than 77,000 participants. Originally an endurance exercise for soldiers, the event has since grown to 11 countries worldwide, making the annual event a huge success in both fundraising and team building. **Carrie Yiu**, Oxfam’s Director of Operations and **Wong Wai-kay**, Finance Manager, both Institute members, are instrumental in making the smooth running of the event.

Persons representing the Institute on international, regional and other professional bodies at 30 June 2015

International Federation of Accountants

Raphael Ding, Board member and member of Planning and Finance Committee
Chris Joy, Technical adviser to Raphael Ding
Raymond Cheng, Member of Small and Medium Practices Committee and Chair of the committee's Ethics Task Force
Mary Lam, Technical adviser to Raymond Cheng
Wendy Yung, Member of Professional Accountants in Business Committee
Peter Tisman, Technical adviser to Wendy Yung
Chris Joy, National Standard Setters – International Auditing and Assurance Standards Board, and National Standard Setters – International Ethics Standards Board for Accountants
Derek Broadley, Member of IAASB working group on ISA 600 revision

IFRS Foundation and International Accounting Standards Board

Ronald Arculli, Trustee of IFRS Foundation
Clement Chan, Member of IASB Accounting Standards Advisory Forum representing AOSSG
Christina Ng, Technical adviser to Clement Chan

International Forum of Accounting Standard Setters

Catherine Morley, Institute representative
Christina Ng, Technical adviser to Catherine Morley

World Standard Setters (financial reporting)

Catherine Morley, Institute representative
Christina Ng, Technical adviser to Catherine Morley

Asian-Oceanian Standard-Setters Group (financial reporting)

Clement Chan, Representing the Institute as chairman
Christina Ng, Technical adviser to Clement Chan

Global Accounting Alliance

Raphael Ding, Board member
Chris Joy, Alternate member to Raphael Ding and Member of GAA Technical Directors Group
Jonathan Ng, Member of GAA Education Directors Group
Peter Tisman, Member of GAA Tax Directors Group

International Association of Restructuring Insolvency and Bankruptcy Professionals (INSOL International)

Stephen Briscoe, Board director

Accounting for Sustainability (A4S)

Chris Joy, Institute representative on the A4S Accounting Bodies Network

Asia-Oceania Tax Consultants' Association

Anthony Tam, a Vice president and technical adviser
Florence Chan, Technical adviser

Chartered Accountants Group of Executives

Jonathan Ng, Member of Education Directors' Reciprocity Project

Institute of Chartered Accountants in England and Wales

Edward Chow, Council member



RUGBY

Hong Kong rugby has been gaining prominence in the region largely due to the annually anticipated Hong Kong Sevens, which boosts Hong Kong's brand as a sporting city. Likewise, the Institute's reputation in the international arena helps maintain Hong Kong's status as a world-class financial centre. In the picture is Hong Kong women's national team during its regular practice in King's Park Sports Ground, the home of Hong Kong rugby. The team has been undergoing intensive training throughout the year to prepare for competitions, showing that women can thrive in this high action game.

COMMUNICATION AND BRANDING

A vital part of the Institute's responsibilities involves communicating the work it does and the roles CPAs play contributing to Hong Kong business and community success.

We reach out to members and Hong Kong as a whole – explaining our views and listening to them – to ensure that we are truly working on behalf of both our profession and the public interest.

Throughout the year, the Institute maintained its engagement with CPAs and other stakeholders, covering a wide cross-section of society: business and financial communities, government and regulatory bodies here and in the Mainland, local and global accounting and professional bodies, academic institutions, and the general public.

Audit regulatory reform

During the government's consultation on proposals to improve the regulatory regime for listed entity auditors, we arranged a press briefing and interviews with the media to allow the Institute's leadership to provide open and honest comments, addressing the necessity of the reform while putting across our members' concerns.

Throughout the process, we have maintained a dedicated page about audit reform on the Institute's website, updated with our responses to the consultation, submissions from members and media coverage. The weekly e-circular, the President's Message published in the Institute's monthly magazine, *A Plus*, and emails from the Institute's Chief Executive also provided members with regular briefings on this evolving issue. Through all these channels, we aimed not only to update members, but to encourage them to give their views on these important changes to our profession.

MoF provisional regulation

When China's Ministry of Finance issued provisional regulations regarding CPA practices providing audit

services to Chinese enterprises listed outside the Mainland, we communicated through several channels to inform members about the developments and implications, assuring them the Institute would provide all the necessary support. Members were briefed through the Institute's weekly e-circular, *A Plus* magazine, and a letter sent to members via email from the Institute's Chief Executive. We also actively talked to the media to help the business sector interpret the impact of the new regulations.

In other China-related activities, the Institute communicated with members about the latest developments in Guangdong, Shanghai and other areas that are opening up markets for the Hong Kong accounting profession.

Other hot topics

Throughout the year, the Institute ensured that its professional voice and members' collective views were heard on a wide range of issues. These included:

Budget proposals

The Institute organized a media briefing in January to communicate its budget proposals to the Hong Kong public. On budget announcement day, we set up a dedicated hotline and our representatives talked to media about the Institute's views, which were widely covered in print, online and on TV.

Best Corporate Governance Disclosure Awards

The Institute promoted the annual Best Corporate Governance Disclosure Awards by organizing press briefings and the prize presentation luncheon. Media partners provided the Institute with prominent advertising space, including print and web banners, to promote the awards. We also lined up media interviews to highlight the leading role the Institute plays in advocating good corporate governance.

“We reach out to members and Hong Kong as a whole – explaining our views and listening to them – to ensure that we are truly working on behalf of both our profession and the public interest.”

Response to import of talent

In response to media reports that accountants would be included on the list of talent permitted to be imported into Hong Kong, we arranged for the Institute’s Chief Executive to talk to *Sing Tao Daily*. Through the interview, the Institute expressed its concerns over the proposal, pointing out the necessity to consult the profession before reaching a conclusion.

Constitutional reform

We encouraged members to actively take part in the second round of consultations on Hong Kong’s constitutional reform by taking the lead among other accountancy-related bodies to organize a member forum on the topic. Our President was interviewed by TVB about what the Institute has done in relation to the second round of consultation.

We provided logistical support to facilitate our members to participate in the constitutional reform survey conducted by the LegCo representative for the accountancy functional constituency, Kenneth Leung.

Global and China connections

As part of the International Federation of Accountants’ new initiative, “Voices of our Profession” aims to draw attention to the diverse value that accounting professionals bring to society. The Institute invited Council member Eric Tong to share his experiences in the form of a video. He spoke about being a professional accountant in practice and his insights on the profession’s future prospects. A second video featured Guy Look, who spoke about his experiences as a CPA working in the commercial sphere.

The Institute was a sponsor for the “Think Asia, Think Hong Kong 2014” conference organized by the Hong Kong

Trade Development Council in Paris and Milan in October. We placed a full-page corporate advertisement in the two conference programmes to promote our CPA brand, reaching an estimated 1,000 visitors.

To increase awareness of the value that Hong Kong CPAs can bring to Mainland business, our activities over the reporting period included:

- The Institute President speaking at the Guangzhou Institute of CPAs’ leadership networking event;
- The Institute’s leadership addressing the Cross-Straits, Hong Kong and Macau Accounting Profession Conference;
- Cooperating with *Xinlicai*, a Ministry of Finance magazine, to publish interviews featuring Hong Kong CPAs and publishing corporate advertisements to promote the Institute’s brand;
- Supporting HKTDC’s SmartHK Expo 2015 at Jinan and running a booth at the exhibition to engage with visitors; and
- Placing advertisements featuring the CPA Practice Directory in *Let’s go*, an in-train magazine for through trains between Hong Kong and Guangzhou. The ads were placed during the periods when Hong Kong and Mainland businessmen travelled between the two cities to attend various trade expos.

Other promotions

The Institute and the Open University of Hong Kong jointly ran a series of advertisements in local dailies in September 2014 to encourage more people to continue their studies for career advancement in the accounting profession.

The Institute reached 2,000 C-suite executives with our CPA branding by advertising at the Asian Financial

“With a view to communicating more dynamically with an increasingly young and tech-savvy membership as well as external stakeholders, the Institute kicked-off a social media programme.”

Forum 2015 organized by the HKTDC. It was a high profile regional financial and business event which took place at the Hong Kong Convention and Exhibition Centre in January. To gain the best onsite exposure for a reasonable advertising fee, the Institute took a three metre lightbox at the main entrance/exit of the conference hall.

Elsewhere, we took part in the “free ride day sponsorship programme” in celebration of the Hong Kong General Chamber of Commerce’s 154th anniversary by sponsoring an Institute advertisement on a tram car in June.

Further engagements

Throughout the year, the Institute’s President and Chief Executive paid courtesy visits to business leaders in Hong Kong, including chairmen, CEOs and committee members of HKEx, the SFC, the FRC, the Chamber of Hong Kong Listed Companies, the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce, and the HKTDC. The Institute’s President and Chief Executive also met up with the LegCo members of major political parties to advocate the profession’s views about changes to the Professional Accountants Ordinance and other matters of public interest.

To understand more about our members, the Institute continued to conduct an annual survey and highlighted some of the important results in our members’ magazine.

The Institute has also been actively communicating with members about the launch of a new series of current affairs seminars. There was an overwhelming response for the first event in the series, which was about “One Belt, One Road”, the Asian Infrastructure Investment Bank and the impact of these initiatives on Hong Kong.

The Institute’s monthly magazine *A Plus* underwent a design and content refresh to mark 10 years under its current

name, and now includes interviews with high profile local and international accounting and business leaders, thought leadership columns, and extended member engagement stories. A survey showed that members view *A Plus* as up-to-date and trustworthy, 37 percent of members read the magazine for more than 30 minutes, and the majority of members are willing to recommend the magazine to business colleagues and clients.

To further extend the reach of *A Plus* to wider audience, we have partnered with certain professional and regulatory bodies, business associations and premier clubs to display magazine copies in their premises. We also distributed the digital version to all listed companies.

Social media

With a view to communicating more dynamically with an increasingly young and tech-savvy membership as well as external stakeholders, the Institute kicked-off a thorough planning process to implement a social media programme. We began working with a consultant to study the social media programmes of equivalent organizations to explore best practices and conducted a survey to understand members’ preferences when it comes to social media.

Annual report wins global award

The Institute was again recognized at the Mercury Awards, a global competition honouring excellence in professional communications, with its 2014 annual report “Growing with Hong Kong” clinching a gold award for writing and an honour for design.

The annual report also won a silver award in the non-profit organization category at the Astrid Awards, another international competition that recognizes outstanding achievements in communications.

WUSHU

Geng Xiaoling, an elite *Wushu* athlete of the Hong Kong Sports Institute, has been shining in many regional and global competitions including winning a gold medal in *Daoshu* (刀術) and silver medals in *Changquan* (長拳) and *Gunshu* (棍術) at the 12th World Wushu Championships in 2013. Leading the pack, Geng has been setting an example for other athletes, as does the Institute championing its thought leadership to make a difference to the society.

Photo was taken at Tamar Park, Admiralty with special thanks to Hong Kong Wushu Union.





MAKING A DIFFERENCE TO SOCIETY AND THOUGHT LEADERSHIP

Whether it is steering the future direction of our profession and business at large or applying our expertise to help the community, the Institute is committed to taking the lead, setting a good example and putting in our skills and time.

Thought leadership and advocacy

Throughout the reporting period, the Institute applied its expertise to develop thought leadership, advocating on issues that have an impact on our profession as well as Hong Kong as a whole.

With a range of new regulations taking effect, anti-money laundering became a hot-topic during the year and the Institute revamped its bulletin on the topic and updated its supplement containing FAQs on suspicious transaction reporting.

The Institute also commenced work on the development of enforceable anti-money laundering guidelines to reflect the recommendations of the Financial Action Task Force, the international body spearheading the fight against money laundering and terrorist financing.

Our annual Best Corporate Governance Disclosure Awards were held successfully with a record number of awards and special mentions being bestowed. This year, the Sustainability and Social Responsibility Awards were expanded and made available to different categories of companies. The awards have become Hong Kong's benchmark for recognizing what good governance and sustainable reporting can achieve.

The Institute also published *A Guide on Better Corporate Governance Disclosure*, and issued copies of the guide and the judges' report for the 2014 BCGD Awards to promote good corporate governance to all listed companies. The guide was also included in the online resources on the IFAC Global Knowledge Gateway.

In June, we launched the 2015 BCGD awards at a media

briefing with an emphasis on risk management, internal control and environmental, social and governance reporting.

During the year, a new corporate governance working group was set up to oversee a project that will compare the corporate governance framework and its operation in Hong Kong with those in other important capital markets – with a view to making recommendations to support Hong Kong's future competitiveness.

To help shape the future of the tax field, the Institute's Taxation Faculty Executive Committee held its 2014 annual meeting with the Inland Revenue Department and published detailed minutes of what was discussed. The 2015 annual meeting has been held, and the minutes will be published later in the year.

The Institute was also represented on the Joint Liaison Committee on Taxation to give advice to the government.

As for the government budget 2015-16, the Institute submitted its tax policy and proposals to the HKSAR Chief Executive and the Financial Secretary and held a press conference to explain our rationale. On budget day, we issued a media release, gave press interviews and arranged a lively discussion forum involving expert speakers and our members.

In insolvency, we helped influence its future through our liaison and consultations with the Financial Services and the Treasury Bureau (Financial Services) and the Official Receiver's Office on the proposed changes to insolvency legislation, as well as our representation on the ORO's Admission Committee, Appeal Panel for the "Panel A" scheme and Service Advisory Committee.

Throughout the year, the Institute liaised with the Legislative Council accountancy representative, Kenneth Leung, on various issues to ensure our profession's views were represented.

“Throughout the reporting period, the Institute applied its expertise to develop thought leadership, advocating on issues that have an impact on our profession as well as Hong Kong as a whole.”

Elsewhere, the Institute took part in soft consultations with the Hong Kong stock exchange on proposals to review the environmental, social and governance guide under the listing rules, as well as the Financial Services and the Treasury Bureau on the issue of “abscondee regime” under the Bankruptcy Ordinance and the draft bill on improvements to corporate insolvency provisions.

During the year, the Institute also gave professional advice on a range of consultations, and made proposals to the following organizations on the issues that have

an impact on important segments of our membership including PAIBs and SMPs:

Financial Services and the Treasury Bureau (Financial Services)

- Proposals to improve the regulatory regime for listed entity auditors;
- Second consultation paper on an effective resolution regime for financial institutions in Hong Kong;
- Open-ended fund companies consultation paper;
- Legislative proposals on improvement of Corporate Insolvency Law – increasing the caps for employee-related preferential payments; and
- Consultation about reliance on specified intermediaries to carry out customer due diligence measures under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance.

Financial Services and the Treasury Bureau (Treasury)

- Consultation on potential partners for comprehensive avoidance of double taxation agreements and tax information exchange agreements; and
- Consultation on automatic exchange of financial account information in tax matters in Hong Kong.

Hong Kong stock exchange

- Consultation paper, *Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report*;
- Weighted voting rights consultation; and
- Review of Listing Rules on disclosure of financial information with reference to the new Companies

ROARING DRAGON



Tuen Ng is one of the favourite festivals for Hong Kong people during which they can watch or even participate in dragon boat races. The legendary sport, dating back to the third century in China, is characterized by colourful boats and drum beats. One of the staunch supporters of this competitive game is Hong Kong China Dragon Boat Association, which throughout the year, invites athletes of all skill levels to train in courses and compete in both domestic and international races. The association is committed to the community and continuously promotes the provision of water sports facilities in Hong Kong. In support of these values are the association's Honorary Treasurer **Simon Wong**, a member of the Institute, as is **Charles Chan**, the Honorary Auditor. In addition, the Institute's dragon boat team has been actively participating in competitions, and winning accolades, during the years.

“The Institute also commenced work on the development of enforceable anti-money laundering guidelines to reflect the recommendations of the Financial Action Task Force.”

Ordinance and Hong Kong Financial Reporting Standards.

Competition Commission

- Consultation paper, *Getting Ready for the Full Implementation of the Competition Ordinance*; and
- Draft guidelines on the First Conduct Rule and the Second Conduct Rule.

International Ethics Standard Board for Accountants on the code of ethics

- Non-compliance with laws and regulations;
- Part C of the code applying to PAIBs – addressing presentation of information and pressure to breach the fundamental principles;
- Non-assurance services for audit clients; and

- Long association of personnel with an auditor or assurance client.

Other local and international bodies

- Bankruptcy (Amendment) Bill 2015 (to LegCo Bills Committee);
- Policy proposals on implementation of IT strategy plan of the judiciary (second round) (to the Judiciary);
- Consultation on enhancements to the deposit protection scheme (to Hong Kong Monetary Authority);
- Various IFAC Professional Accountants in Business Committee consultation papers, projects and submissions; and
- Asia-Oceania Tax Consultant’s Association submissions.

Making a difference

Throughout the year, the Institute maintained its commitment to ongoing and new programmes to support the community.

We continued our main corporate social responsibility programme “Rich Kid, Poor Kid,” reaching nearly 15,000 students of 46 primary and secondary schools this year. The initiative teaches children about the basics of money management, one of the core skills of CPAs, as well as important money values and ethics.

The CPAs for NGOs social responsibility programme held its third and fourth seminar in October 2014 and June 2015, which were attended by 70 and 105 representatives from non-governmental organizations respectively. At the events, the Institute shared knowledge on effective and efficient processes for financial management in four areas including budgeting, procurement to payment, cash management and the closing of financial statements, as well as the functions of internal auditing and external reporting.

To support small- and medium-sized social service

GOING FOR THE GOLD



Hong Kong's Olympic and other overseas medals are the collective efforts of athletes and many sports organizations. One of them is the Sports Federation & Olympic Committee of Hong Kong, China, which leads Hong Kong delegation to the Olympic Games, Asian Games and East Asian Games. For more than six decades, the federation has been bringing together athletes, coaches and those interested in sports medicine, management and science to training. It also enables top athletes to receive scholarship for local and overseas training. Among those dedicated in championing sports development and promotion are the federation's Vice President **Brian Stevenson** and Honorable Treasurer **Derrick Wong**, both Institute members.

“We continued our main corporate social responsibility programme ‘Rich Kid, Poor Kid,’ reaching nearly 15,000 students of 46 primary and secondary schools this year.”

organizations receiving the government’s lump sum grant to fulfil the guidelines set by the Social Welfare Department, the Institute also shared tips on setting policies and procedures for improving their governance, accountability, financial management, and human resources management.

In an exciting development, as an extension to our CPAs for NGOs programme, the Institute has agreed to become a strategic partner to support the NGOs Governance Platform Project, a new initiative led by the Hong Kong Council of Social Service.

Meanwhile, a briefing session on “How CPAs can support NGOs” was held for existing and potential accountant ambassadors to find out more about the programme. Core team members of the programme shared their experience of supporting NGOs in their roles as a council or committee member, honorary treasurer or advisor on a pro-bono basis.

Nurturing Hong Kong’s future talent

The Institute supported a range of initiatives in the area of education throughout the year.

These included our support of the social services work that Caritas Hong Kong does in schools. In January and February, we arranged for 150 form four and five students from seven secondary schools to visit offices of the accounting firms including Big Four, BDO and ShineWing. In March, the students attended a career talk, at which they learned more about the career opportunities in the accounting profession, the various routes to becoming a Hong Kong CPA, and the Institute’s Qualification Programme. Accountant ambassadors from various fields were invited to lead a sharing session held after the main seminar.

In another education-based initiative, the Institute asked members to participate in the Yuen Long District Secondary School Student Internship Programme 2015.

A total of 14 CPA practices and employers of Institute members took part and 33 places were offered to students.

Elsewhere, as a supporting organization of the Wofoo Millennium Entrepreneurship Programme, the Institute recruited accountant ambassadors to mentor groups of secondary school students in preparing a business plan for an inter-school case competition. Twenty-three accountant ambassadors were involved in the programme, guiding students on entrepreneurship and business practices such as research, analysis and project planning.

During the reporting period, the Institute continued its commitment to the government’s “Future Stars” programme for the coming two years. Our support comprises organizing two career talks each year for 50 to 80 young people and sponsoring 10 scholarships a year.

MAKING A SPLASH



One sports event that truly epitomizes Hong Kong’s Lion Rock spirit is the Cross Harbour Race. Held annually from 1906 to 1979, the demanding competition takes swimmers on a dive across Victoria Harbour and was one of the most celebrated events in those days. Resuming in 2011 as the New World Harbour Race, it brings back many happy memories for Hong Kong people. The 1.8km swim attracts world-class swimmers from around the world to dip into Hong Kong’s iconic waters against picturesque skyline. Supporting the event’s finance is New World Development Company, which also established a swimming academy to nurture talented swimmers. **John Lee**, the company’s Independent Non-Executive Director and **Alex Chow**, previous chief financial officer, are members of the Institute.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Institute is committed to leading by example when it comes to corporate social responsibility. We believe that putting in place thoughtful initiatives, and then following through with implementation, will create value for the Institute, its staff, its members, the environment and wider society.

Our annual flagship Best Corporate Governance Disclosure Awards continues to champion sustainability as one of its objectives. This year, the sustainability and social responsibility reporting category under the programme was expanded and made available to different types of companies. It will continue to emphasize on environmental, social and governance reporting in accordance with the important guideline issued by the Hong Kong stock exchange for listed companies. The awards programme has become Hong Kong's benchmark for recognizing what good governance and sustainable reporting can achieve.

During the year, the Sustainability and Integrated Reporting Advisory Group continued to steer the Institute's programmes and communication about educating and raising awareness of members and the wider business community about corporate social responsibility. One of the initiatives was the set up of a one-stop web page to explain the Institute's work and to provide convenient access to our submissions on various local and international consultations, as well as useful studies, articles and reports in the field of sustainability.

Internationally, we actively engaged with the International Integrated Reporting Council, the Global Reporting Initiative and the Prince's Accounting for Sustainability Project in the United Kingdom, and brought back the latest development to keep Hong Kong updated.

Workplace quality

Within the Institute, in order to improve employee well-being and retention, we conducted a review of various staff benefits during the reporting period. As part of the review conclusions, the Institute will increase the medical check-up allowance and the provision of subsidies for top-up medical insurance plans for eligible staff.

To ensure our salary structure remains in line with prevailing market conditions, the Institute conducted a salary

survey in the first quarter of 2015. Salary information from relevant and comparable organizations was obtained and staff salary was adjusted under the annual pay review as a result. The Institute has been given the Good MPF Employer Award for meeting the criteria about MPF benefits for staff.

To better serve members, Institute staff look to continuously improve their skills and productivity. During the year, many attended courses or seminars on various topics including accounting, auditing, information technology and Putonghua. Meanwhile a special leadership and management development programme was tailor-made for 33 senior staff to enhance their leadership and management skills. An in-house training programme on frontline customer service was also held for all counter staff and office assistants. In total there were 333 enrolments in 140 staff training programmes, amounting to 1,528 training hours.

During the reporting period, the Institute filled four key positions in the Standard Setting Department, the Compliance Department and the Education and Training Department, building in relevant skills to increase operational efficiency and ensure good corporate governance.

Use of resources

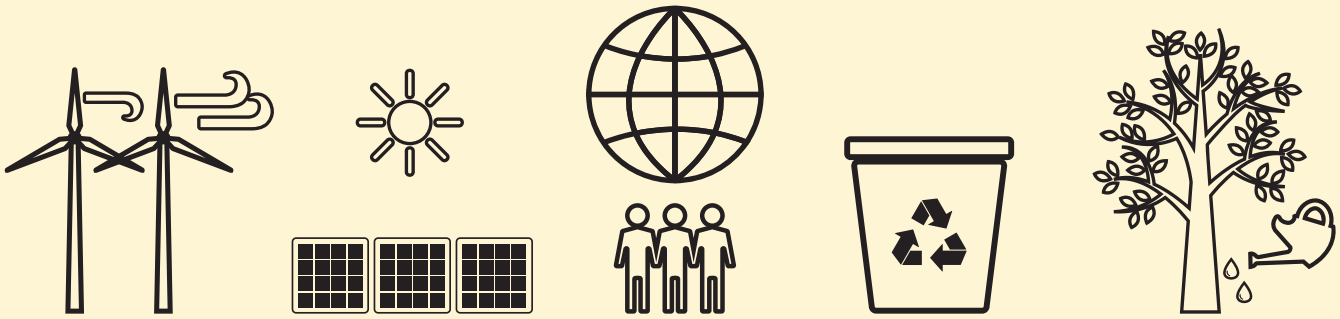
The Institute has implemented energy-saving and sustainability measures across its office:

Energy audit

We implemented recommendations proposed in the energy audit report issued by Hong Kong Electric for energy saving and efficiency in our office. Halogen spotlights were replaced with LED spotlights in our premises, including the boardroom, conference room, VIP room, library, training centre, lift lobby and counter service area. We also divided our office into different lighting control zones to give us better control of energy use.

Paper consumption

- We continue to adopt effective e-communication with members using emails and e-newsletters, and only print materials such as annual report, monthly magazine, brochures, research papers and transaction forms on an



on-demand basis. More than 80 percent of *A Plus* readers have switched to the digital edition to read the magazine on their devices.

- We put in place electronic administrative systems to eliminate paper records for many internal processes, such as leave applications, performance evaluations, salary records, approvals for overtime work and payments for general expenses.
- We promote the reuse of waste paper and encourage double-sided printing.
- Meters have been installed in copiers requiring password access for each staff to facilitate better reporting and management of print and photocopy consumption.

Waste management

- We continue to make available recycling facilities to collect paper, plastic, toner and ink cartridges.
- Arrangements have been made for cleaning contractor to collect cardboard boxes for reuse or recycling.
- Wastewater from our pantries is collected into under-sink grease traps before discharging into the building's sewerage system, and then the public sewer. The sludge of the under-sink grease traps is safely removed by the cleaning contractor once every six to nine months.

Green procurement

- Many of the electrical appliances in our office are energy efficient according to recognized energy certification schemes.
- Whenever we replace office equipment, we consider appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label. Environmental considerations are a priority when procuring new office furniture or renovation materials.

Operating practices

As a body established under the law, the Institute performs its statutory functions to serve both its members and the public interest.

There is a centralized system to process and maintain

progress of all incoming enquiries, whether from members, students or the general public. The Corporate Communications Department monitors the system every workday and dispatches enquiries to relevant departments within the same day or the following workday. To ensure enquiries are promptly addressed, the system has a built-in mechanism to issue automatic reminders to responsible staff if the tasks have been outstanding for eight days.

The Compliance Department has standard procedures in place to handle complaints against members, member practices and students to ensure the Institute performs its statutory functions. Information about the process is posted on the Institute website so that all parties know their rights and responsibilities. There is also an established mechanism to receive and handle complaints about the Institute's operations.

Community involvement

The Institute is a caring organization and practises good corporate citizenship through various programmes. We administer a charitable fund to support community projects in need of sponsorship, and a trust fund to help members who face financial hardship.

Members are mobilized to give back to the community with their expertise and experience through the following projects:

- CPAs for NGOs, which involves seminars on corporate governance issues and our members giving advice on internal control and financial management to non-governmental organizations.
- "Rich Kid, Poor Kid," which recruits CPAs to teach primary and secondary school students the value of money, and how to spend, save and share.
- Free Public Advisory Service Scheme, which offers weekly sessions for the general public to come to our office to talk to CPAs.
- Various education and mentorship programmes, which provide CPAs opportunities to guide secondary school students on their studies and career aspirations.

For more details about these projects, see the "Making a Difference to Society and Thought Leadership" section of this annual report.

Council



Elected members

1. Dennis Ho (*President*)
2. Mabel M.B. Chan (*Vice President*)
3. Cheung Wing Han, Ivy (*Vice President*)
4. Raymond Cheng
5. Jennifer H.Y. Cheung
6. Cho Lung Pui Lan, Stella
7. Johnson Kong
8. Ronald Kung
9. Lam Chi Yuen, Nelson
10. Law Fu Yuen, Patrick
11. Stephen Law
12. Eric Tong
13. Richard Tse
14. Kim Man Wong

Immediate Past President

15. Clement Chan

Government-appointed lay members

16. Melissa Brown
17. Andrew Fung
18. Natalia Seng
19. Tam Wing-pong

Co-opted members

20. Gary C. Biddle
21. Alec C.C. Tong

Ex-officio members

22. Ada Chung (*Representative of the Financial Secretary, Government of the HKSAR*)
23. Martin Siu (*Director of Accounting Services, Government of the HKSAR*)

Chief Executive and Registrar

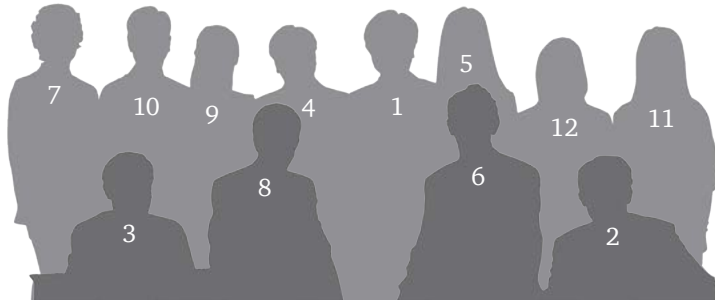
24. Ding Wai Chuen, Raphael (*Secretary*)

Committees and Working Groups

Statutory	Chairmen and convenors
Disciplinary Panels	Russell Coleman
Investigation Panels	Yih Lai Tak, Dieter
Practice Review Committee	Richard George
Qualification and Examinations Board	Richard Tse
Registration and Practising Committee	Mabel M.B. Chan
Non-statutory	Chairmen and convenors
Audit Committee	Wong Tak Wai, Alvin
Auditing and Assurance Standards Committee	Eric Tong
Corporate Finance Committee	Chan Peng Kuan, Tony
Ethics Committee	Leung Kwok Ki, Alden
Financial Reporting Standards Committee	Catherine Morley
Governance Committee	Tsai Wing Chung, Philip
HKIAAT Board	Thomas Y.T. Wong
Insolvency SD Vetting Committee	Johnson Kong
Investment Committee	Andrew Fung
Member Services Accountability Board	Cho Lung Pui Lan, Stella
Nomination Committee	Dennis Ho
Professional Accountants in Business Committee	Stephen Law
Professional Conduct Committee	Cheung Wing Han, Ivy
Professional Qualifications Accountability Board	Law Fu Yuen, Patrick
Regulatory Accountability Board	Tam Wing-pong
Remuneration Committee	Andrew Fung
Restructuring and Insolvency Faculty Executive Committee	Mat Ng
Small and Medium Practitioners Committee	Thomas Y.T. Wong
Sports and Recreation Committee*	Vincent Chan
Standards and Quality Accountability Board	Melissa Brown
Tax Specialization Development Committee	Alexander Mak
Taxation Faculty Executive Committee	Chan Yuen Fan, Florence
Young Members Committee	Jennifer H.Y. Cheung
Panels and working groups	Chairmen and convenors
Accountancy Manpower Research Advisory Group	Kim Man Wong
Audit Profession Reform Advisory Group	Charles Lee
Audit Profession Reform Working Group	Dennis Ho
Banking Regulatory Liaison Group	Peter Po-ting Li
Continuing Professional Development Advisory Panel	Kim Man Wong
Corporate Governance Working Group	Kim Man Wong
CPA Qualifying Process Reform Working Group	Tsai Wing Chung, Philip
Editorial Advisory Group	Daniel Lin
Insurance Regulatory Liaison Group	Lars Nielsen
Investment Funds Regulatory Liaison Group	Chui Ming Wai, Vivian
Mainland Development Strategies Advisory Panel	Jack S.L. Chow
Professional Standards Monitoring Expert Panel	–
Securities Regulatory Liaison Group	Eric Tong
Sustainability and Integrated Reporting Advisory Group	Peter H.Y. Wong

* Established in August 2015.

Management Team



Chief Executive and Registrar

1. Ding Wai Chuen, Raphael

Executive Directors

2. Jonathan Ng (*Qualification and Education*)
3. Chris Joy (*Standards and Regulation*)

General Counsel

4. Donald Leo

Directors

5. Tracy Wong (*Admission*)
6. Peter Tisman (*Advocacy and Practice Development*)
7. Linda Biek (*Compliance*)
8. Patrick Tam* (*Corporate and Mainland Affairs*)
9. Shanice Tsui (*Education and Training*)
10. Perry Pang (*Finance and Operations*)
11. Mary Lam (*Member Support*)
12. Elsa Ho (*Quality Assurance*)

* Patrick Tam retired on 16 September 2015 and has become Senior Adviser, Mainland Affairs. The work of corporate and Mainland affairs has been transferred to Finance and Operations Department and Member Support Department respectively.

Independent Auditor's Report

To the members of Hong Kong Institute of Certified Public Accountants

(Incorporated in Hong Kong under the Professional Accountants Ordinance)

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 48 to 80, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as the "Group") and the Institute at 30 June 2015, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council's responsibility for the financial statements

The Council of the Institute is responsible for maintaining proper accounts and preparing annual financial statements pursuant to the Professional Accountants Ordinance that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Institute, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 16 of the Professional Accountants Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and of the Institute at 30 June 2015, and of the surplus and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Professional Accountants Ordinance.

Mazars CPA Limited
Certified Public Accountants

42nd floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

16 September 2015

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2015

	Note	Group		Institute	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Non-current assets					
Fixed assets	4	173,535	184,823	173,445	184,719
Interests in subsidiaries	5	-	-	-	-
Deferred tax assets	6	704	-	704	-
		<u>174,239</u>	<u>184,823</u>	<u>174,149</u>	<u>184,719</u>
Current assets					
Inventories		984	831	982	828
Receivables	7	1,268	2,251	3,018	3,129
Deposits and prepayments		8,787	6,593	8,450	6,308
Time deposits with original maturities over three months		94,903	197,759	70,283	168,491
Cash and cash equivalents	8	234,340	81,946	218,467	69,226
		<u>340,282</u>	<u>289,380</u>	<u>301,200</u>	<u>247,982</u>
Current liabilities					
Subscriptions and fees received in advance	9	(71,656)	(69,045)	(69,455)	(66,700)
Payables and accruals	10	(43,183)	(33,902)	(41,230)	(31,685)
Current tax liabilities		(7,294)	(5,777)	(7,294)	(5,777)
		<u>(122,133)</u>	<u>(108,724)</u>	<u>(117,979)</u>	<u>(104,162)</u>
Net current assets		<u>218,149</u>	<u>180,656</u>	<u>183,221</u>	<u>143,820</u>
Non-current liabilities					
Deferred tax liabilities	6	-	(70)	-	(70)
		<u>392,388</u>	<u>365,409</u>	<u>357,370</u>	<u>328,469</u>
Funds and reserve					
General fund		225,285	210,673	196,174	179,641
Capital fund	11	167,206	154,838	161,196	148,828
Exchange reserve		(103)	(102)	-	-
		<u>392,388</u>	<u>365,409</u>	<u>357,370</u>	<u>328,469</u>

Approved by the Council on 16 September 2015

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2015

	<i>Note</i>	Group		Institute	
		2015	2014	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscriptions and fees	12	132,737	136,287	130,660	133,716
Other revenue	13	95,369	96,646	91,575	91,220
Total revenue		228,106	232,933	222,235	224,936
Other income	14	23,720	19,386	25,048	20,843
Expenses	15	(233,704)	(225,996)	(227,263)	(218,163)
Surplus before tax	16	18,122	26,323	20,020	27,616
Income tax charge	17	(3,510)	(4,918)	(3,487)	(4,918)
Surplus		14,612	21,405	16,533	22,698
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange gain on translating the financial statements of HKICPA Beijing					
		(1)	7	-	-
Comprehensive income		14,611	21,412	16,533	22,698

Approved by the Council on 16 September 2015

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2015

	2015						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469
Surplus	14,612	-	-	14,612	16,533	-	16,533
Other comprehensive income	-	-	(1)	(1)	-	-	-
Comprehensive income	14,612	-	(1)	14,611	16,533	-	16,533
Capital levy from members and students	-	12,368	-	12,368	-	12,368	12,368
At the end of the reporting period	225,285	167,206	(103)	392,388	196,174	161,196	357,370
	2014						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861
Surplus	21,405	-	-	21,405	22,698	-	22,698
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	21,405	-	7	21,412	22,698	-	22,698
Capital levy from members and students	-	11,910	-	11,910	-	11,910	11,910
At the end of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469

Statements of Cash Flows

For the year ended 30 June 2015

	Group		Institute	
	2015	2014	2015	2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities				
Surplus before tax	18,122	26,323	20,020	27,616
Adjustments for:				
Allowance for obsolete inventories	44	12	44	11
Depreciation	12,945	12,444	12,858	12,236
Impairment of fixed assets	480	-	480	-
Impairment of receivables	501	-	501	-
Loss on disposal of fixed assets	83	93	85	58
Obsolete inventories written off	9	7	9	7
Uncollectible amounts written off	15	5	15	5
Operating cash flows before working capital changes	32,199	38,884	34,012	39,933
(Increase)/Decrease in inventories	(206)	223	(207)	222
(Increase)/Decrease in receivables	467	145	(405)	169
Increase in deposits and prepayments	(2,194)	(1,786)	(2,142)	(1,739)
Decrease/(Increase) in time deposits with original maturities over three months	102,856	(126,488)	98,208	(119,164)
Increase in subscriptions and fees received in advance	2,611	1,776	2,755	2,186
Increase/(Decrease) in payables and accruals	9,281	(10,514)	9,545	(10,086)
Cash generated from/(utilized in) operations	145,014	(97,760)	141,766	(88,479)
Net tax paid	(2,767)	-	(2,744)	-
Net cash generated from/(utilized in) operating activities	142,247	(97,760)	139,022	(88,479)
Cash flows from investing activities				
Purchase of fixed assets	(2,228)	(7,446)	(2,153)	(7,422)
Sale proceeds from disposal of fixed assets	7	1	4	1
Net cash utilized in investing activities	(2,221)	(7,445)	(2,149)	(7,421)
Cash flows from financing activities				
Capital levy received	12,368	11,910	12,368	11,910
Net increase/(decrease) in cash and cash equivalents	152,394	(93,295)	149,241	(83,990)
Cash and cash equivalents at the beginning of the reporting period	81,946	175,242	69,226	153,216
Exchange difference in respect of cash and cash equivalents	-	(1)	-	-
Cash and cash equivalents at the end of the reporting period	234,340	81,946	218,467	69,226

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Notes to the Financial Statements

For the year ended 30 June 2015

1. Principal activities and registered office

The Group refers to Hong Kong Institute of Certified Public Accountants (the “Institute”) and its subsidiaries: HKICPA (Beijing) Consulting Co., Ltd. (“HKICPA Beijing”), The HKICPA Trust Fund, The HKICPA Charitable Fund and Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary, The HKIAAT Trust Fund (collectively referred to as the “HKIAAT Group”).

The Institute is a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance with its registered office located at 37th floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong. Its principal activities include, *inter alia*, the registration of certified public accountants, firms of certified public accountants and corporate practices and the issuance of practising certificates; the development and promulgation of financial reporting, auditing and assurance, and ethical standards and guidelines; the regulation of the practice of the accountancy profession; the operation and promotion of the Institute’s qualification programme and professional examinations; representing the views of the profession; providing membership and student support services and preserving the profession’s integrity and status.

HKICPA Beijing is incorporated as a foreign enterprise in Mainland China. Its principal activities are the promotion of the Institute’s qualification programme and provision of services to members in Mainland China.

The HKICPA Trust Fund was formed under a trust deed dated 21 January 1998. The fund was set up for the relief of poverty of members of the Institute. Its trustees are the president, the immediate past president, a vice president and a past president of the Institute. The power to appoint and remove trustees is vested with the Institute.

The HKICPA Charitable Fund was formed under a trust deed dated 2 December 2001 for general charitable purposes. Its trustees are the president, the immediate past president and the chief executive of the Institute. The power to appoint and remove trustees is vested with the Institute.

HKIAAT is incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee. Its principal activities are the award of the “Accredited Accounting Technician” qualification through conducting professional examinations, offering quality services to members and students, accrediting relevant sub-degree qualifications and promoting the study of accountancy among sub-degree holders and secondary school students. HKIAAT has three voting members who are the president and the two vice presidents of the Institute. The power to appoint and remove members of the Board of HKIAAT is vested with the Institute.

The HKIAAT Trust Fund was formed under a trust deed dated 21 June 1999 for educational purposes and in particular for the provision of scholarships to persons studying for the examinations held by HKIAAT. Its trustees are the president, the immediate past president and a vice president of HKIAAT. The power to appoint and remove trustees is vested with HKIAAT.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Institute, accounting principles generally accepted in Hong Kong and the requirements of the Professional Accountants Ordinance. These financial statements have been prepared under the historical cost convention. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Depreciation

The residual values, useful lives and depreciation method applied in the recognition of depreciation are reviewed, and adjusted if appropriate, at least at the end of each reporting period. In arriving at the depreciation charges, management has applied estimates to the residual values and useful life of each class of assets. Depreciation is provided on a straight-line basis over the useful life of each class of assets.

Impairment of receivables

The Group assesses at the end of each reporting period whether there is objective evidence that the receivables are impaired. In the assessment process, the Group tests the receivables for impairment in accordance with the Group's accounting policies. Management's judgment and estimates are required to determine whether a receivable is impaired and the appropriate action to recover the receivable. The Group closely monitors the debtors' repayment history, and actively takes follow-up actions to recover amounts overdue. If a receivable is determined to be impaired, the impairment is recognized in the statements of comprehensive income.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 financial statements. The following HKFRSs, which are applicable to the Group and become effective for the current year, have been early adopted in prior years:

Annual Improvements Project	"Annual Improvements 2010-2012 Cycle"
Amendments to HKAS 36	"Recoverable Amount Disclosures for Non-Financial Assets"

b. New/revised HKFRSs that were issued during the current year and after 30 June 2015

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Group has early adopted these new/revised HKFRSs, except for HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 9 (2014) "Financial Instruments". For the equivalent revenue standard of HKFRS 15, the International Accounting Standards Board ("IASB") has confirmed to defer its effective date by one year to 1 January 2018 as the IASB has issued an exposure draft of targeted amendments to this standard. For HKFRS 9 (2014), early adoption is not permitted as this standard can only be applied to financial years beginning on a date after the issue of this standard on 4 September 2014. The adoption of the new/revised HKFRSs has no significant impact on the results and the financial positions.

c. Basis of consolidation and subsidiaries

The consolidated financial statements include the financial statements of the Institute and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Institute using consistent accounting policies. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

A subsidiary is an entity over which the Institute has control. The Institute controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the Institute's statement of financial position, the interests in subsidiaries are stated at cost less impairment charges.

d. Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's financial assets, including receivables, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2e) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities include payables and accruals. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

e. Impairment of financial assets

The Group recognizes charges for impaired receivables promptly where there is objective evidence that impairment of a receivable has occurred. The impairment of a receivable carried at amortized cost is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. Impairment charges are assessed individually for significant receivables.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. When the receivable is considered uncollectible, it is written off against the receivable impairment charges account.

If, in a subsequent period, the amount of an impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment charge is reversed by reducing the receivable impairment charges account, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of any reversal is recognized in surplus or deficit.

f. Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

g. Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognized in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognized.

h. Fixed assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Where the Group acquires the leasehold land for own use under a finance lease, the prepaid cost representing the fair value of the leasehold land is included in fixed assets.

Fixed assets are stated at cost less accumulated depreciation and impairment charges. The cost of an item of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any cost directly attributable to bringing the item of fixed assets to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of any cost of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after the item of fixed assets has been put into operation, such as repairs and maintenance cost, is normally charged to surplus or deficit in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure is capitalized as an additional cost to that asset or as a replacement. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in surplus or deficit in the period the item is derecognized is the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation of fixed assets is calculated to write off their depreciable amounts over their estimated useful lives using the straight-line method. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The residual values and useful lives of assets and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation is charged.

The estimated useful lives of fixed assets are as follows:

Leasehold land held for own use under finance leases	Over the lease term
Buildings held for own use	20 years
Leasehold improvements	10 years or over the remaining lease terms of the relevant leases whichever is shorter
Furniture, fixtures and equipment	3 to 10 years

Items of a capital nature costing less than HK\$1,000 are recognized as expenses in the period of acquisition.

i. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in fixed assets, and rentals receivable under the operating leases are credited to surplus or deficit on the straight-line basis over the lease term. Where the Group is the lessee, rentals payable under the operating leases are charged to surplus or deficit on the straight-line basis over the lease term.

j. Inventories

Inventories, comprising publications and souvenirs held for sale, are stated at the lower of cost determined on a weighted average basis, and net realizable value. Cost includes direct costs of purchases and incidental costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs to be incurred prior to sale.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

l. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

m. Capital levy

The capital levy is an equity contribution from members and students, and is taken to the capital fund in the period of receipt.

n. Foreign currency translation*(i) Functional and presentation currency*

Items included in the financial statements of the Institute and its subsidiaries are measured using the currency of the primary environment in which the Institute and its subsidiaries operate respectively (the functional currency). These financial statements are presented in Hong Kong dollars, which is the Institute's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognized in surplus or deficit except when the related gains and losses are recognized outside surplus or deficit.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the end of the reporting period, their income and expenses are translated at the average exchange rates for the period, and the resulting exchange differences are included in exchange reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in exchange reserve and accumulated in a separate component of funds and reserve is reclassified from funds and reserve to surplus or deficit when the gain or loss on disposal is recognized.

o. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Annual subscription fees are recognized on a straight-line basis over the subscription period.

First registration fees are recognized on entitlement.

Other fees, income from examinations, seminars and courses, member and student activities and accreditation income are recognized upon completion of services provided.

Interest income from bank deposits and savings accounts is recognized as it accrues using the effective interest method.

p. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the period. Taxable surplus differs from surplus as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and is accounted for using the liability method. Except to the extent that the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss, deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which deductible temporary differences, tax losses and credits can be utilized. However, deferred tax liabilities are not recognized for taxable temporary differences arising on interests in subsidiaries where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to surplus or deficit, except when it relates to items charged or credited to other comprehensive income or directly to funds and reserve, in which case the deferred tax is also dealt with outside surplus or deficit.

q. Employee benefits*(i) Short term employee benefits*

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

(ii) Retirement benefits costs

The Group operates two approved defined contribution retirement benefits schemes for employees: a registered scheme under Mandatory Provident Fund (“MPF”) Exempted Occupational Retirement Schemes Ordinance and a MPF scheme under the Mandatory Provident Fund Schemes Ordinance.

The contributions payable to the Group’s defined contribution retirement benefits schemes are charged to surplus or deficit as incurred.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for unused annual leave as a result of services rendered by the employees up to the end of the reporting period.

r. Related parties

A related party is a person or entity that is related to the Group.

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

- (a) has control or joint control over the Group;*
- (b) has significant influence over the Group; or*
- (c) is a member of the key management personnel of the Group.*

(ii) An entity is related to the Group if any of the following conditions applies:

- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).*
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).*
- (c) Both entities are joint ventures of the same third party.*
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.*
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.*
- (f) The entity is controlled or jointly controlled by a person identified in (i).*
- (g) A person identified in (i)(a) 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).*
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.*

3. Financial instruments by category

The carrying amounts of financial instruments at the end of the reporting period are as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets – measured at amortized cost				
Accounts receivable, net of charges for impairment	1,268	2,251	1,166	2,112
Amounts due from subsidiaries	-	-	1,852	1,017
Time deposits with original maturities over three months	94,903	197,759	70,283	168,491
Cash and cash equivalents	234,340	81,946	218,467	69,226
	<u>330,511</u>	<u>281,956</u>	<u>291,768</u>	<u>240,846</u>
Financial liabilities – measured at amortized cost (note 10)				
Payables	14,419	6,230	14,249	6,068
Amounts due to a subsidiary	-	-	53	50
Accruals	13,514	14,757	12,614	13,568
	<u>27,933</u>	<u>20,987</u>	<u>26,916</u>	<u>19,686</u>

The carrying amounts of the Group's and the Institute's financial instruments at the end of the reporting period approximate their fair value.

4. Fixed assets

2015

	Leasehold land held for own use under finance leases <i>HK\$'000</i>	Buildings held for own use <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
Net book value at 1 July 2014	145,088	23,797	7,357	8,581	184,823
Additions	-	-	245	1,983	2,228
Disposal	-	-	(67)	(24)	(91)
Depreciation	(4,398)	(2,163)	(2,556)	(3,828)	(12,945)
Impairment (b)	-	-	-	(480)	(480)
Net book value at 30 June 2015	<u>140,690</u>	<u>21,634</u>	<u>4,979</u>	<u>6,232</u>	<u>173,535</u>
At cost	184,669	43,255	25,241	34,620	287,785
Accumulated depreciation and impairment	<u>(43,979)</u>	<u>(21,621)</u>	<u>(20,262)</u>	<u>(28,388)</u>	<u>(114,250)</u>
	<u>140,690</u>	<u>21,634</u>	<u>4,979</u>	<u>6,232</u>	<u>173,535</u>
Institute					
Net book value at 1 July 2014	145,088	23,797	7,357	8,477	184,719
Additions	-	-	170	1,983	2,153
Disposal	-	-	(67)	(22)	(89)
Depreciation	(4,398)	(2,163)	(2,550)	(3,747)	(12,858)
Impairment (b)	-	-	-	(480)	(480)
Net book value at 30 June 2015	<u>140,690</u>	<u>21,634</u>	<u>4,910</u>	<u>6,211</u>	<u>173,445</u>
At cost	184,669	43,255	25,166	33,913	287,003
Accumulated depreciation and impairment	<u>(43,979)</u>	<u>(21,621)</u>	<u>(20,256)</u>	<u>(27,702)</u>	<u>(113,558)</u>
	<u>140,690</u>	<u>21,634</u>	<u>4,910</u>	<u>6,211</u>	<u>173,445</u>

2014

	Leasehold land held for own use under finance leases <i>HK\$'000</i>	Buildings held for own use <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
Net book value at 1 July 2013	149,486	25,960	7,393	7,078	189,917
Additions	-	-	2,417	5,029	7,446
Disposal	-	-	(1)	(93)	(94)
Depreciation	(4,398)	(2,163)	(2,452)	(3,431)	(12,444)
Currency translation difference	-	-	-	(2)	(2)
Net book value at 30 June 2014	<u>145,088</u>	<u>23,797</u>	<u>7,357</u>	<u>8,581</u>	<u>184,823</u>
At cost	184,670	43,255	25,660	33,421	287,006
Accumulated depreciation and impairment	<u>(39,582)</u>	<u>(19,458)</u>	<u>(18,303)</u>	<u>(24,840)</u>	<u>(102,183)</u>
	<u>145,088</u>	<u>23,797</u>	<u>7,357</u>	<u>8,581</u>	<u>184,823</u>
Institute					
Net book value at 1 July 2013	149,486	25,960	7,310	6,836	189,592
Additions	-	-	2,417	5,005	7,422
Disposal	-	-	(1)	(58)	(59)
Depreciation	(4,398)	(2,163)	(2,369)	(3,306)	(12,236)
Net book value at 30 June 2014	<u>145,088</u>	<u>23,797</u>	<u>7,357</u>	<u>8,477</u>	<u>184,719</u>
At cost	184,670	43,255	25,495	32,683	286,103
Accumulated depreciation and impairment	<u>(39,582)</u>	<u>(19,458)</u>	<u>(18,138)</u>	<u>(24,206)</u>	<u>(101,384)</u>
	<u>145,088</u>	<u>23,797</u>	<u>7,357</u>	<u>8,477</u>	<u>184,719</u>

- a. The Group's and the Institute's leasehold land and buildings held for own use, which are held on medium-term leases expiring on 30 June 2047, comprise the 37th floor and 27th floor of Wu Chung House located at 213 Queen's Road East, Wanchai, Hong Kong with a total gross area of 49,722 sq. ft. acquired on 8 July 2005 and 28 February 2006 respectively.
- b. During the current year, the management conducted a review of the Group's and the Institute's operating assets and determined that certain of the office equipments were impaired due to technical obsolescence. With reference to the assets' recoverable amount determined on the basis of their value in use which was assessed to be nil, a full impairment charge on their carrying amount of HK\$480,000 (2014: Nil) has been recognized accordingly.

5. Interests in subsidiaries

	Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At cost	300	300
Impairment charges	<u>(300)</u>	<u>(300)</u>
	<u>-</u>	<u>-</u>

Details of the Institute's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation / establishment and operations	Registered and paid-up capital	Equity interest held	Principal activities
HKICPA (Beijing) Consulting Co., Ltd. (a)	Mainland China	HK\$300,000	100%	Promotion of the Institute's qualification programme and provision of services to members in Mainland China
The HKICPA Trust Fund (a)	Hong Kong	-	(c)	Relief of poverty of members of the Institute
The HKICPA Charitable Fund (a)	Hong Kong	-	(c)	General charitable purposes
Hong Kong Institute of Accredited Accounting Technicians Limited (a)	Hong Kong	-	(c)	Award of the "Accredited Accounting Technician" qualification
The HKIAAT Trust Fund (b)	Hong Kong	-	(c)	Provision of scholarships to persons studying for the examinations held by HKIAAT

(a) Held/controlled directly by the Institute.

(b) Controlled directly by HKIAAT.

(c) Accounted for as a subsidiary and 100% consolidated by virtue of control.

HKICPA Beijing is a wholly-owned subsidiary of the Institute incorporated as a foreign enterprise in Mainland China.

The HKICPA Trust Fund and The HKICPA Charitable Fund were set up with no capital injection by the Institute.

HKIAAT was founded by former Council members on behalf of the Institute.

The HKIAAT Trust Fund was set up with no capital injection by HKIAAT.

The use of surplus funds in total of HK\$5,753,000 (2014: HK\$5,973,000) as accumulated by The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

6. Deferred tax assets and liabilities

- a. Details of deferred tax assets/(liabilities) recognized in the statements of financial position and the movements during the year are as follows:

	Group				Institute			
	Accelerated tax depreciation	Other temporary differences	Tax losses	Total	Accelerated tax depreciation	Other temporary differences	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2013	(1,309)	1,309	-	-	(1,298)	1,298	-	-
(Charged)/Credited to surplus (note 17)	(289)	219	-	(70)	(300)	230	-	(70)
At 30 June 2014 and 1 July 2014	(1,598)	1,528	-	(70)	(1,598)	1,528	-	(70)
Credited/(Charged) to surplus (note 17)	418	356	-	774	418	356	-	774
At 30 June 2015	(1,180)	1,884	-	704	(1,180)	1,884	-	704

- b. Details of items for which no deferred tax assets/(liabilities) are recognized at the end of the reporting period are as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accelerated tax depreciation	32	(12)	-	-
Other temporary differences	876	1,185	-	-
Tax losses	10,701	7,978	-	-
	11,609	9,151	-	-

No deferred tax assets are recognized by the Group in respect of above unused tax losses and deductible temporary differences because it is not certain whether future taxable profit will be available against which the Group can utilize the benefits therefrom. Neither the tax losses nor the temporary differences have expiration dates under current tax legislation.

7. Receivables

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Accounts receivable	1,872	2,378	1,733	2,202
Amounts due from subsidiaries	-	-	1,852	1,017
	1,872	2,378	3,585	3,219
Charges for impairment (a)	(604)	(127)	(567)	(90)
	<u>1,268</u>	<u>2,251</u>	<u>3,018</u>	<u>3,129</u>

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

a. Movements on the charges for impairment of receivables are as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At the beginning of the reporting period	127	149	90	112
Recovery of impaired receivables (note 14)	(5)	(22)	(5)	(22)
Bad debts written off for the year	(19)	-	(19)	-
Impairment charged during the year	501	-	501	-
At the end of the reporting period	<u>604</u>	<u>127</u>	<u>567</u>	<u>90</u>

The individually impaired receivables have been assessed by management who considers that their default in payment is highly probable. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the receivables, which approximates their fair value.

b. The ageing analysis of receivables at the end of the reporting period that are not considered to be impaired is as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Not past due	724	1,134	630	1,000
Within 30 days past due	363	354	2,207	1,371
31 to 90 days past due	23	171	23	166
91 to 180 days past due	8	76	8	76
181 to 270 days past due	28	84	28	84
Over 270 days past due	122	432	122	432
	544	1,117	2,388	2,129
	1,268	2,251	3,018	3,129

Receivables of the Institute that are neither past due nor impaired are mainly bank interest receivables.

Receivables that are past due but not impaired relate to a number of parties that either have subsequently settled the amounts due or have no records of default in payments. Based on experience, management is of the opinion that no charge for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these parties and the balances are still considered fully recoverable. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

8. Cash and cash equivalents

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank balances				
- Time deposits with original maturities within three months	210,815	66,412	201,243	59,068
- Savings accounts	6,398	5,134	4,114	2,497
- Current accounts	17,033	10,329	13,035	7,593
Cash on hand	94	71	75	68
	234,340	81,946	218,467	69,226

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for three-month periods depending on the immediate cash requirement of the Group and the Institute and earn interest at the prevailing short-term deposit rates.

9. Subscriptions and fees received in advance

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Subscription fees received in advance	64,282	62,508	63,420	61,525
Other fees received in advance	7,374	6,537	6,035	5,175
	<u>71,656</u>	<u>69,045</u>	<u>69,455</u>	<u>66,700</u>

The Institute and HKIAAT charge their members and students an annual subscription fee for renewal of membership/ studentship on a calendar-year basis (i.e. from 1 January to 31 December), which is recognized in surplus or deficit on a straight-line basis over the subscription period. Subscription fees received in advance represent the unearned subscription income for the period from 1 July to 31 December of a year.

Other fees received in advance mainly relate to first registration applications to be assessed, and examinations and seminars to be conducted after the end of the reporting period.

10. Payables and accruals

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Payables	14,419	6,230	14,249	6,068
Amounts due to subsidiaries	-	-	53	50
Accruals	13,514	14,757	12,614	13,568
Financial liabilities (note 3)	27,933	20,987	26,916	19,686
Employee benefits obligations	15,250	12,915	14,314	11,999
	<u>43,183</u>	<u>33,902</u>	<u>41,230</u>	<u>31,685</u>

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The maturity profile of the Group's and the Institute's financial liabilities at the end of the reporting period based on the contracted undiscounted payments is as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	11,963	11,594	10,962	10,334
Between 31 and 90 days	7,632	8,640	7,632	8,634
Between 91 and 180 days	8,238	674	8,222	641
Between 181 and 270 days	-	-	-	-
Over 270 days	100	79	100	77
	27,933	20,987	26,916	19,686

11. Capital fund

The Group has two capital funds:

- The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy are decided annually by the Council.
- The capital fund of HKIAAT represents a capital levy from its members and students to meet future office expansion. The rates of levy are decided annually by the Board of HKIAAT. Effective from the year ended 30 June 2009, no capital levy has been collected.

12. Subscriptions and fees

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Annual subscription fees				
Members (a)	73,673	77,929	73,673	77,929
Practising certificates	22,318	21,459	22,318	21,459
Students	8,449	8,377	7,392	7,130
Firms	10,714	10,566	10,714	10,566
Corporate practices	6,108	5,868	6,108	5,868
Others	1,231	1,355	445	472
First registration fees				
Members	5,732	6,123	5,732	6,123
Practising certificates	746	662	746	662
Students	1,986	2,089	1,757	1,652
Firms	172	200	172	200
Corporate practices	268	205	268	205
Others	105	113	100	109
Other fees				
Advancement to fellowship	219	194	219	194
Assessment for overseas students	1,016	1,147	1,016	1,147
	132,737	136,287	130,660	133,716

a. Members' annual subscription fees

	Group and Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Annual subscription fees	81,199	77,929
Less: One-off rebate (i)	(7,526)	-
	73,673	77,929

(i) During the current year, the Council approved a one-off rebate of HK\$200 each to members who were on the register as at 1 January 2015 and have paid the 2015 annual subscription fees. The rebate was charged against the annual subscription fee received from members.

13. Other Revenue

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Income from examinations	76,275	75,765	72,542	70,885
Income from seminars and courses	16,620	18,081	16,579	17,950
Income from member and student activities	2,344	2,295	2,344	2,295
Accreditation income	130	505	110	90
	95,369	96,646	91,575	91,220

14. Other income

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
FRC special levy (a)	6,990	4,862	6,990	4,862
Events sponsorship	1,944	2,833	1,944	2,768
Disciplinary fines and costs recovery	6,111	3,621	6,111	3,621
Interest income	3,597	2,419	3,244	2,102
Sales of goods	1,049	1,661	878	1,459
Income from advertisements placed in the journals	447	665	444	623
Litigation costs recovery (b)	1,446	1,500	1,446	1,500
Income from hardcopy surcharge	849	727	671	654
Commission from professional indemnity insurance master policy	805	583	805	583
Commission from affinity credit card programme	169	158	169	158
Royalty income	33	72	-	-
Donations	31	39	18	27
Operating lease income	98	47	98	47
Recovery of impaired receivables (note 7a)	5	22	5	22
Service fees from HKIAAT	-	-	2,167	2,308
Miscellaneous	146	177	58	109
	23,720	19,386	25,048	20,843

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (“FRC”), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual budget of the FRC. The Institute’s share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$6,990,000 (2014: HK\$4,862,000) from such member practices and contributed HK\$6,990,000 (2014: HK\$4,862,000) to the FRC (note 16).

b. Litigation costs recovery

	<u>Group and Institute</u>	
	2015	2014
	<i>HK\$’000</i>	<i>HK\$’000</i>
Litigation costs recovery for:		
Appeal against a judicial review (i)	876	1,500
Appeals against disciplinary orders (ii)	570	-
	<u>1,446</u>	<u>1,500</u>

- (i) In June 2013, the Court of Final Appeal heard and dismissed an appeal made by a firm and certain individuals (the “Applicants”), one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. During the current year, the Institute recovered HK\$876,000 from the insurers (2014: HK\$1,500,000 from the Applicants) in relation to legal costs incurred in the Court of Final Appeal proceedings.
- (ii) During the current year, the Institute received HK\$570,000 (2014: Nil) from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against two disciplinary orders.

15. Income and expenses by activity

An analysis of the Group's and the Institute's income and expenses by main activities is set out below:

2015

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000
Members						
Annual subscription fees	111,964	-	111,964	111,964	-	111,964
Admission and registration	8,286	(5,853)	2,433	8,286	(5,853)	2,433
Standards and regulation	14,763	(43,845)	(29,082)	14,763	(43,845)	(29,082)
Professional development and specialization	16,615	(20,821)	(4,206)	16,615	(20,821)	(4,206)
Interest groups and networking activities	2,942	(11,461)	(8,519)	2,942	(11,940)	(8,998)
	<u>154,570</u>	<u>(81,980)</u>	<u>72,590</u>	<u>154,570</u>	<u>(82,459)</u>	<u>72,111</u>
Qualification	<u>84,184</u>	<u>(52,353)</u>	<u>31,831</u>	<u>84,184</u>	<u>(52,783)</u>	<u>31,401</u>
Corporate functions						
Constitution, governance and corporate activities	1,547	(6,106)	(4,559)	1,547	(6,106)	(4,559)
Branding and communication	1	(4,992)	(4,991)	1	(4,992)	(4,991)
Publications	446	(6,365)	(5,919)	446	(6,365)	(5,919)
Advocacy	-	(1,575)	(1,575)	-	(1,575)	(1,575)
Legal	-	(3,892)	(3,892)	-	(3,892)	(3,892)
China and international relations	211	(8,776)	(8,565)	211	(8,776)	(8,565)
General administration, finance and operations	4,156	(37,379)	(33,223)	6,323	(39,546)	(33,223)
Depreciation and building related expenses	1	(20,769)	(20,768)	1	(20,769)	(20,768)
	<u>6,362</u>	<u>(89,854)</u>	<u>(83,492)</u>	<u>8,529</u>	<u>(92,021)</u>	<u>(83,492)</u>
HKIAAT Group	<u>6,652</u>	<u>(9,267)</u>	<u>(2,615)</u>	-	-	-
HKICPA Charitable Fund	<u>12</u>	<u>(201)</u>	<u>(189)</u>	-	-	-
HKICPA Trust Fund	<u>46</u>	<u>(49)</u>	<u>(3)</u>	-	-	-
Total	<u>251,826</u>	<u>(233,704)</u>	<u>18,122</u>	<u>247,283</u>	<u>(227,263)</u>	<u>20,020</u>

2014

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000
Members						
Annual subscription fees	114,957	-	114,957	114,957	-	114,957
Admission and registration	8,172	(4,658)	3,514	8,172	(4,658)	3,514
Standards and regulation	10,137	(38,109)	(27,972)	10,137	(38,109)	(27,972)
Professional development and specialization	17,652	(20,381)	(2,729)	17,652	(20,381)	(2,729)
Interest groups and networking activities	2,538	(9,303)	(6,765)	2,538	(9,103)	(6,565)
	<u>153,456</u>	<u>(72,451)</u>	<u>81,005</u>	<u>153,456</u>	<u>(72,251)</u>	<u>81,205</u>
Qualification	<u>83,409</u>	<u>(55,439)</u>	<u>27,970</u>	<u>83,409</u>	<u>(55,190)</u>	<u>28,219</u>
Corporate functions						
Constitution, governance and corporate activities	2,691	(8,307)	(5,616)	2,691	(8,307)	(5,616)
Branding and communication	10	(4,722)	(4,712)	10	(4,722)	(4,712)
Publications	583	(6,193)	(5,610)	583	(6,193)	(5,610)
Advocacy	-	(3,114)	(3,114)	-	(3,114)	(3,114)
Legal	-	(2,804)	(2,804)	-	(2,804)	(2,804)
China and international relations	496	(8,117)	(7,621)	496	(8,117)	(7,621)
General administration, finance and operations	2,825	(35,890)	(33,065)	5,133	(38,198)	(33,065)
Depreciation and building related expenses	1	(19,267)	(19,266)	1	(19,267)	(19,266)
	<u>6,606</u>	<u>(88,414)</u>	<u>(81,808)</u>	<u>8,914</u>	<u>(90,722)</u>	<u>(81,808)</u>
HKIAAT Group	<u>8,799</u>	<u>(9,383)</u>	<u>(584)</u>	-	-	-
HKICPA Charitable Fund	<u>12</u>	<u>(120)</u>	<u>(108)</u>	-	-	-
HKICPA Trust Fund	<u>37</u>	<u>(189)</u>	<u>(152)</u>	-	-	-
Total	<u>252,319</u>	<u>(225,996)</u>	<u>26,323</u>	<u>245,779</u>	<u>(218,163)</u>	<u>27,616</u>

16. Surplus before tax

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	125,511	119,162	118,683	112,872
Depreciation	12,945	12,444	12,858	12,236
Contribution to FRC (note 14a)	6,990	4,862	6,990	4,862
Auditor's remuneration	404	385	312	299
Allowance for obsolete inventories	44	12	44	11
Cost of goods sold	371	486	366	481
Donations (a)	14	10	64	60
Exchange loss	57	883	61	866
Impairment of fixed assets	480	-	480	-
Impairment of receivables	501	-	501	-
Loss on disposal of fixed assets	83	93	85	58
Obsolete inventories written off	9	7	9	7
Operating lease expenses	1,415	1,188	527	536
Recovery of obsolete inventories written off	(1)	(41)	(1)	(41)
Recovery of impaired receivables (note 7a)	(5)	(22)	(5)	(22)
Uncollectible amounts written off	15	5	15	5

a. During the current year, the Institute donated HK\$50,000 (2014: HK\$50,000) to The HKICPA Charitable Fund.

17. Income tax charge

	Group		Institute	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax				
<i>Hong Kong Profits Tax:</i>				
Current year	4,281	4,858	4,281	4,858
Overprovision in prior year	(20)	(10)	(20)	(10)
	4,261	4,848	4,261	4,848
<i>Mainland China income tax:</i>				
Current year	23	-	-	-
Total current tax charge	4,284	4,848	4,261	4,848
Deferred tax				
Origination and reversal of temporary differences (note 6a)	(774)	70	(774)	70
Total tax charge	3,510	4,918	3,487	4,918

Hong Kong Profits Tax has been provided at 16.5% (2014: 16.5%) on the estimated taxable surplus arising in Hong Kong during the current year. Mainland China income tax has been provided at the statutory rate of 25% (2014: incurred a tax loss) in accordance with the relevant tax laws in Mainland China.

The reconciliation between income tax charge and surplus before tax at the applicable rate (i.e. the statutory tax rate for the jurisdiction in which the Institute and the majority of its subsidiaries are domiciled) is as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Surplus before tax	18,122	26,323	20,020	27,616
Tax at the applicable rate of 16.5% (2014: 16.5%)	2,990	4,343	3,303	4,557
Tax effect of different tax rate for a subsidiary in Mainland China	73	(42)	-	-
Tax effect of non-deductible expenses	823	951	739	871
Tax effect of non-assessable income	(668)	(366)	(535)	(347)
Tax effect of unrecognized tax losses	449	126	-	-
Tax effect of temporary differences not recognized	(76)	(84)	-	(153)
Overprovision in prior year	(20)	(10)	(20)	(10)
Others	(61)	-	-	-
Total tax charge	3,510	4,918	3,487	4,918

18. Employee benefits

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	117,616	111,867	111,338	106,036
Provident fund contributions	7,895	7,295	7,345	6,836
	125,511	119,162	118,683	112,872
Number of staff				
At the beginning of the reporting period	196	208	181	190
At the end of the reporting period	203	196	189	181

19. Key management personnel remuneration

	Group and Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Chief Executive and Registrar		
Salaries and allowances	4,307	4,040
Performance bonus	782	754
Retirement benefits	18	15
	5,107	4,809

Key management personnel comprise members of the Council and the Chief Executive and Registrar. Council members are not remunerated.

20. Related party transactions

a. Members of the Institute's Council

Members of the Council do not receive any fees or other remuneration for serving as a member of the Council.

Other than the information disclosed elsewhere in the financial statements, the Group and the Institute entered into the following material transactions with Council members or parties related to Council members:

- (i) During the current year, the Institute incurred expenses of HK\$323,000 (2014: HK\$323,000) in respect of services provided by United International College, of which a Council member of the Institute is a member of the senior management, for the promotion of the Institute's qualification programme in Mainland China.
- (ii) During the current year, the Institute incurred expenses of HK\$862,000 (2014: HK\$1,454,000) for rental of training rooms and courses provided by Hong Kong Baptist University ("HKBU"), of which a Council member of the Institute is a council member. At 30 June 2014, included in "Payables and accruals" was an amount of HK\$209,000 due to HKBU. The amount outstanding was unsecured, interest-free and has been settled during the current year.
- (iii) During the current year, the Institute incurred expenses of HK\$408,000 and HK\$263,000 (2014: Nil) for expert witness services on disciplinary cases and re-write of course materials provided by PricewaterhouseCoopers Limited ("PwC"), of which a Council member of the Institute is a director. At 30 June 2015, included in "Payables and accruals" is an amount of HK\$496,000 (2014: Nil) due to PwC. The amount outstanding is unsecured, interest-free and HK\$308,000 has been settled after the end of the reporting period.
- (iv) During the current year, the Institute incurred expenses of HK\$104,000 (2014: HK\$330,000) mainly for the development of specialist qualification in taxation by Deloitte Touche Tohmatsu ("DTT"), of which a Council member of the Institute is a partner. At 30 June 2015, included in "Payables and accruals" is an amount of HK\$384,000 (2014: HK\$481,000) due to DTT. The amount outstanding is unsecured, interest-free and payable according to the payment schedule of the service contract.

In addition, the Group and the Institute received income in the ordinary course of business, such as sponsorship, disciplinary and litigation costs recovery, accreditation, subscriptions and fees from Council members or parties related to Council members. The Group and the Institute also paid honoraria to recipients, some of whom are Council members or parties related to Council members, for various services provided to the Group and the Institute such as

giving lectures and providing venues for training courses, marking of examination scripts, monitors' fees, accreditation and re-accreditation fees, contributing articles to the Group's and the Institute's publications and reviewing listed companies' annual reports. The total amount paid to Council members or parties related to Council members in this regard was not significant.

b. Subsidiaries of the Institute

(i) HKICPA Beijing

During the current year, the Institute paid service fees of HK\$4,500,000 (2014: HK\$2,766,000) to HKICPA Beijing under a new contract for the promotion of the Institute's qualification programme and the provision of services to members in Mainland China. At 30 June 2015, included in "Receivables" of the Institute is an amount of HK\$900,000 (2014: HK\$453,000) due from HKICPA Beijing.

(ii) The HKICPA Charitable Fund

During the current year, the Institute donated HK\$50,000 (2014: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2015, included in "Payables and accruals" of the Institute is an amount of HK\$50,000 (2014: HK\$50,000) due to The HKICPA Charitable Fund.

(iii) The HKICPA Trust Fund

At 30 June 2015, included in "Payables and accruals" of the Institute is an amount of HK\$3,000 (2014: Nil) due to The HKICPA Trust Fund.

(iv) HKIAAT

During the current year, the Institute charged service fees of HK\$2,167,000 (2014: HK\$2,308,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$4,595,000 (2014: HK\$4,175,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2015, included in "Receivables" of the Institute is an amount of HK\$952,000 (2014: HK\$564,000) due from HKIAAT arising from the services provided.

21. Financial risk management

Financial instruments mainly consist of receivables, time deposits, cash and cash equivalents and payables and accruals. The Group and the Institute are exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Group's and the Institute's interest bearing financial assets are as follows:

	Group		Institute	
	2015 % p.a.	2014 % p.a.	2015 % p.a.	2014 % p.a.
Time deposits	1.11%	1.08%	1.26%	1.17%
Savings accounts	0.03%	0.02%	0.03%	0.03%

The Group's and the Institute's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers the Group and the Institute have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Group and the Institute did not have any interest bearing loans. The Group and the Institute manage the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Group's and the Institute's surplus before tax and funds and reserve.

	Group		Institute	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Time deposits				
- with original maturities within three months	210,815	66,412	201,243	59,068
- with original maturities over three months	94,903	197,759	70,283	168,491
	<u>305,718</u>	<u>264,171</u>	<u>271,526</u>	<u>227,559</u>
Impact of interest rate deviation				
Change in interest rate by 0.25% (2014: 0.25%)				
- Change in surplus before tax and funds and reserve	<u>764</u>	<u>660</u>	<u>679</u>	<u>569</u>

Time deposits with original maturities over three months carry interest at market rates from 0.7% to 2.68% (2014: 0.7% to 3.15%) per annum and with maturities which range from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and the Institute's "Receivables", other than the amounts due from subsidiaries, are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sale of goods is made in cash or via major credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. The recovery of the costs and the settlement of penalties in relation to disciplinary and legal cases are closely monitored by management and there was no default in most of the cases according to past experience. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7 to the financial statements.

The Group's and the Institute's surplus cash has been deposited with reputable and creditworthy banks. Management considers there is minimal risk associated with the bank balances.

c. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group and the Institute manage liquidity risk by maintaining adequate reserves. The Group and the Institute perform periodically cash flow forecasts to monitor future cash flows. The subscription fees and registration fees provide a stable source of funds to the Group and the Institute. The current financial strength of the Group and the Institute poses no threat of liquidity to the Group and the Institute.

d. Foreign currency risk

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have time deposits and bank savings accounts denominated in RMB in total of HK\$33,259,000 (2014: HK\$47,948,000). The exposure to foreign currency risk is primarily caused by the fluctuation in the exchange rate of RMB. Impact of such fluctuation after the end of the reporting period is disclosed in note 25 to the financial statements.

22. Capital management

The Group's and the Institute's objectives when managing capital are:

- to safeguard the Group's and the Institute's ability to continue as a going concern to enable their obligations under the Professional Accountants Ordinance, the Companies Ordinance and the trust deeds are fulfilled;
- to develop and maintain the qualification programme and continuing professional development programme for students and members; and
- to provide capital for the purpose of strengthening the Group's and the Institute's operational efficiency.

The Group and the Institute regularly review and manage their capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the general fund for future operational needs which are non-property related. The Group and the Institute charge an annual capital levy on its members and students, which is transferred directly to the capital fund (note 11). The capital fund is maintained to ensure sufficient resources are available to finance the purchase, improvement and/or expansion of the Group's and the Institute's office facilities.

The Council of the Institute and the Board of HKIAAT regularly review the need to adjust membership/studentship subscriptions and the capital levy to ensure operational and property needs are fully covered. The Group's and the Institute's capital levy policy is therefore based on a need basis and the Council of the Institute and the Board of HKIAAT have the discretion to alter the capital levy policy on an annual basis, if required.

For the purpose of capital disclosure, the Council regards the funds and reserve as capital of the Group and the Institute.

23. Operating lease commitments

The Group and the Institute had operating leases on premises at two industrial and one office buildings at 30 June 2015 and 2014. The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	962	1,027	253	318
Between one and five years	1,170	71	19	25
	<u>2,132</u>	<u>1,098</u>	<u>272</u>	<u>343</u>

The industrial buildings which are used for storage purpose are located in Hong Kong while the office building which is used by HKICPA Beijing is located in Beijing.

24. Capital commitments

	Group		Institute	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of computer equipment contracted but not provided for in the financial statements	<u>2,490</u>	<u>3,524</u>	<u>2,460</u>	<u>3,494</u>

25. Event after reporting period

As a result of the recent devaluation of RMB, the Group and the Institute have incurred an exchange loss of HK\$1,308,000 upon maturity of RMB denominated bank deposits held at the end of the reporting period. The loss will be reflected in the results of the next financial year.

Independent Auditor's Report

To the Trustees of The HKICPA Trust Fund

We have audited the financial statements of The HKICPA Trust Fund (the "Trust Fund") set out on pages 82 to 89, which comprise the statement of financial position at 30 June 2015, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees of the Trust Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "Institute"), and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Trust Fund at 30 June 2015, and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Mazars CPA Limited
Certified Public Accountants

42nd floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

16 September 2015

Yip Ngai Shing
Practising Certificate number: P05163

Statement of Financial Position

At 30 June 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current assets			
Other receivables	4	12,978	13,838
Amount due from the Institute	5	3,400	-
Time deposits with original maturities over three months		3,836,863	2,775,444
Cash and cash equivalents	6	50,472	1,117,562
Net assets		<u>3,903,713</u>	<u>3,906,844</u>
Accumulated funds		<u>3,903,713</u>	<u>3,906,844</u>

Approved by the Trustees on 16 September 2015

Dennis Ho
Trustee

Mabel M.B. Chan
Trustee

Clement Chan
Trustee

Wong Hong Yuen
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue			
Interest income		46,182	37,409
		<u>46,182</u>	<u>37,409</u>
Expenses			
Grants to members	7	(47,663)	(186,876)
Bank charges		(1,650)	(2,060)
		<u>(49,313)</u>	<u>(188,936)</u>
Deficit		(3,131)	(151,527)
Other comprehensive income		-	-
Comprehensive income		<u>(3,131)</u>	<u>(151,527)</u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2015

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Accumulated funds		
At the beginning of the reporting period	<u>3,906,844</u>	<u>4,058,371</u>
Deficit	(3,131)	(151,527)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>(3,131)</u>	<u>(151,527)</u>
At the end of the reporting period	<u><u>3,903,713</u></u>	<u><u>3,906,844</u></u>

Statement of Cash Flows

For the year ended 30 June 2015

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Cash flows from operating activities		
Deficit	(3,131)	(151,527)
Decrease/(Increase) in other receivables	860	(11,023)
Increase in amount due from the Institute	(3,400)	-
Increase in time deposits with original maturities over three months	<u>(1,061,419)</u>	<u>(2,775,444)</u>
Net cash utilized in operating activities and net decrease in cash and cash equivalents	<u>(1,067,090)</u>	<u>(2,937,994)</u>
Cash and cash equivalents at the beginning of the reporting period	<u>1,117,562</u>	<u>4,055,556</u>
Cash and cash equivalents at the end of the reporting period	<u><u>50,472</u></u>	<u><u>1,117,562</u></u>

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Notes to the Financial Statements

For the year ended 30 June 2015

1. Principal activities

The HKICPA Trust Fund (the “Trust Fund”) was formed under a trust deed dated 21 January 1998 together with an initial sum of HK\$345,000 donated by the then Hong Kong Society of Accountants, which was renamed on 8 September 2004 as the Hong Kong Institute of Certified Public Accountants (the “Institute”). The trustees of the Trust Fund are the president, the immediate past president, a vice president and a past president of the Institute. The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Trust Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong. The Trust Fund was set up for the relief of poverty of members of the Institute by means of subsidy and/or loan. The Trust Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust Fund’s accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Impairment of receivables

The Trust Fund assesses at the end of each reporting period whether there is objective evidence that the receivables are impaired. In the assessment process, the Trust Fund tests the receivables for impairment in accordance with the Trust Fund’s accounting policies. Management’s judgment and estimates are required to determine whether a receivable is impaired and the appropriate action to recover the receivable. The Trust Fund closely monitors the debtors’ repayment history, and actively takes follow-up actions to recover amounts overdue. If a receivable is determined to be impaired, the impairment is recognized in the statements of comprehensive income.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 financial statements. Annual Improvements Project “Annual Improvements 2010-2012 Cycle”, which is applicable to the Trust Fund and becomes effective for the current year, has been early adopted in prior year.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2015

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Trust Fund has early adopted these new/revised HKFRSs, except for HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 (2014) “Financial Instruments”. For the equivalent revenue standard of HKFRS 15, the International Accounting Standards Board (“IASB”) has confirmed to defer its effective date by one year to 1 January 2018 as the IASB has issued an exposure draft of targeted amendments to this standard. For HKFRS 9 (2014), early adoption is not permitted as this standard can only be applied to financial years beginning on a date after the issue of this standard on 4 September 2014. The adoption of the new/revised HKFRSs has no significant impact on the result and the financial position.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Trust Fund becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Trust Fund's financial assets, including other receivables, amount due from the Institute, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Trust Fund recognizes charges for impaired financial assets promptly where there is objective evidence that impairment of financial assets has occurred. The impairment of financial assets carried at amortized cost is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. Impairment charges are assessed individually for significant financial assets.

The carrying amount of the financial assets is reduced through the use of the financial asset impairment charges account. Changes in the carrying amount of the financial asset impairment charges account are recognized in surplus or deficit. When the financial asset is considered uncollectible, it is written off against the financial asset impairment charges account.

If, in a subsequent period, the amount of an impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment charge is reversed by reducing the financial asset impairment charges account, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Trust Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Trust Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank deposits and bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Trust Fund.

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

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized costs at the end of the reporting period are as follows:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Other receivables	12,978	13,838
Amount due from the Institute	3,400	-
Time deposits with original maturities over three months	3,836,863	2,775,444
Cash and cash equivalents	50,472	1,117,562
	<u>3,903,713</u>	<u>3,906,844</u>

The carrying amounts of the Trust Fund's financial assets at the end of the reporting period approximate their fair value.

4. Other receivables

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Short term loan to a member of the Institute	37,170	37,170
Interest receivable	<u>12,978</u>	<u>13,838</u>
	50,148	51,008
Impairment charge on loan to a member of the Institute	<u>(37,170)</u>	<u>(37,170)</u>
	<u>12,978</u>	<u>13,838</u>

Movements on the charge for impairment on loan to a member of the Institute are as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
At the beginning and end of the reporting period	<u>37,170</u>	<u>37,170</u>

Since 30 June 2008, this member of the Institute had not made the agreed monthly repayments to the Trust Fund and a full provision had been made. Continuing efforts are being made to recover the loan from the member. The Trust Fund does not hold any collateral or other credit enhancements over this balance.

5. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand.

6. Cash and cash equivalents

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Bank balances		
- Time deposit with original maturity within three months	-	1,014,377
- Savings account	27,290	27,790
- Current account	<u>23,182</u>	<u>75,395</u>
	<u>50,472</u>	<u>1,117,562</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

7. Grants to members

During the current year, grants totaling HK\$47,663 (2014: HK\$186,876) were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

Financial instruments consist of cash and cash equivalents, time deposits, other receivables and amount due from the Institute. The Trust Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Trust Fund's interest bearing financial assets are as follows:

	2015 % p.a.	2014 % p.a.
Time deposits	1.16%	1.13%
Savings accounts	0.001%	0.001%

The Trust Fund's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers that the Trust Fund has limited exposure to interest rate risk relating to the savings account as the changes in interest rate of the savings account over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Trust Fund did not have any interest bearing loans. The Trust Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Trust Fund's deficit and accumulated funds.

	2015 HK\$	2014 HK\$
Time deposits		
- with original maturities within three months	-	1,014,377
- with original maturities over three months	<u>3,836,863</u>	<u>2,775,444</u>
	<u><u>3,836,863</u></u>	<u><u>3,789,821</u></u>
Impact of interest rate deviation		
Change in interest rate by 0.25% (2014: 0.25%)		
- Change in deficit and accumulated funds	<u><u>9,592</u></u>	<u><u>9,475</u></u>

Time deposits with original maturities over three months carry interest at market rates from 0.94% to 1.15% (2014: 1.20% to 1.50%) per annum and have maturities ranging from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Trust Fund has designed its credit policy with an objective to minimize its exposure to credit risk. The Trust Fund also has a policy in place to evaluate credit risk when loans are granted to members of the Institute and the repayments of short term loans to members of the Institute are closely monitored. Further quantitative data in respect of the exposure to credit risk arising from short term loan to a member of the Institute are disclosed in note 4 to the financial statements.

The Trust Fund's surplus cash has been deposited with reputable and creditworthy banks. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Trust Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Trust Fund to ensure its capital adequacy.

Independent Auditor's Report

To the Trustees of The HKICPA Charitable Fund

We have audited the financial statements of The HKICPA Charitable Fund (the "Charitable Fund") set out on pages 91 to 96, which comprise the statement of financial position at 30 June 2015, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees of the Charitable Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "Institute"), and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Charitable Fund at 30 June 2015, and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Mazars CPA Limited

Certified Public Accountants

42nd floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

16 September 2015

Yip Ngai Shing

Practising Certificate number: P05163

Statement of Financial Position

At 30 June 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current assets			
Amount due from the Institute	4	50,000	50,000
Cash and cash equivalents	5	<u>1,197,725</u>	<u>1,336,314</u>
Net assets		<u><u>1,247,725</u></u>	<u><u>1,386,314</u></u>
Accumulated funds		<u><u>1,247,725</u></u>	<u><u>1,386,314</u></u>

Approved by the Trustees on 16 September 2015

Dennis Ho
Trustee

Clement Chan
Trustee

Ding Wai Chuen, Raphael
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2015

	<i>Note</i>	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue			
Donations	6	60,970	62,260
Interest income		<u>291</u>	<u>347</u>
		<u><u>61,261</u></u>	<u><u>62,607</u></u>
Expenses			
Sponsorship		(199,000)	(119,500)
Bank charges		<u>(850)</u>	<u>(750)</u>
		<u><u>(199,850)</u></u>	<u><u>(120,250)</u></u>
Deficit		(138,589)	(57,643)
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income		<u><u>(138,589)</u></u>	<u><u>(57,643)</u></u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2015

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Accumulated funds		
At the beginning of the reporting period	<u>1,386,314</u>	<u>1,443,957</u>
Deficit	(138,589)	(57,643)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>(138,589)</u>	<u>(57,643)</u>
At the end of the reporting period	<u><u>1,247,725</u></u>	<u><u>1,386,314</u></u>

Statement of Cash Flows

For the year ended 30 June 2015

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Cash flows from operating activities		
Deficit	<u>(138,589)</u>	<u>(57,643)</u>
Net cash utilized in operating activities and net decrease in cash and cash equivalents	<u>(138,589)</u>	<u>(57,643)</u>
Cash and cash equivalents at the beginning of the reporting period	<u>1,336,314</u>	<u>1,393,957</u>
Cash and cash equivalents at the end of the reporting period	<u><u>1,197,725</u></u>	<u><u>1,336,314</u></u>

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Notes to the Financial Statements

For the year ended 30 June 2015

1. Principal activities

The HKICPA Charitable Fund (the “Charitable Fund”) was set up under a trust deed dated 2 December 2001 for general charitable purposes like relieving poverty, making donations to charitable organizations, providing emergency support for disaster, etc. The trustees of the Charitable Fund are the president, the immediate past president and the chief executive of the Hong Kong Institute of Certified Public Accountants (the “Institute”). The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Charitable Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong. The Charitable Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 financial statements. Annual Improvements Project “Annual Improvements 2010-2012 Cycle”, which is applicable to the Charitable Fund and becomes effective for the current year, has been early adopted in prior year.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2015

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Charitable Fund has early adopted these new/revised HKFRSs, except for HKFRS 15 “Revenue from Contracts with Customers” and HKFRS 9 (2014) “Financial Instruments”. For the equivalent revenue standard of HKFRS 15, the International Accounting Standards Board (“IASB”) has confirmed to defer its effective date by one year to 1 January 2018 as the IASB has issued an exposure draft of targeted amendments to this standard. For HKFRS 9 (2014), early adoption is not permitted as this standard can only be applied to financial years beginning on a date after the issue of this standard on 4 September 2014. The adoption of the new/revised HKFRSs has no significant impact on the result and the financial position.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Charitable Fund becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Charitable Fund’s financial assets, including amount due from the Institute and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Charitable Fund recognizes charges for impaired financial assets promptly where there is objective evidence that impairment of financial assets has occurred. The impairment of financial assets carried at amortized cost is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. Impairment charges are assessed individually for significant financial assets.

The carrying amount of the financial assets is reduced through the use of the financial asset impairment charges account. Changes in the carrying amount of the financial asset impairment charges account are recognized in surplus or deficit. When the financial asset is considered uncollectible, it is written off against the financial asset impairment charges account.

If, in a subsequent period, the amount of an impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment charge is reversed by reducing the financial asset impairment charges account, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Charitable Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Charitable Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Charitable Fund.

- (i) A person or a close member of that person's family is related to the Charitable Fund if that person:
 - (a) has control or joint control over the Charitable Fund;
 - (b) has significant influence over the Charitable Fund; or
 - (c) is a member of the key management personnel of the Charitable Fund or of a parent of the Charitable Fund.
- (ii) An entity is related to the Charitable Fund if any of the following conditions applies:
 - (a) The entity and the Charitable Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Charitable Fund or an entity related to the Charitable Fund.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) 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).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Charitable Fund or to its parent.

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized cost at the end of the reporting period are as follows:

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Amount due from the Institute	50,000	50,000
Cash and cash equivalents	<u>1,197,725</u>	<u>1,336,314</u>
	<u><u>1,247,725</u></u>	<u><u>1,386,314</u></u>

The carrying amounts of the Charitable Fund's financial assets at the end of the reporting period approximate their fair value.

4. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand.

5. Cash and cash equivalents

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Savings accounts	1,091,279	1,246,838
- Current accounts	<u>106,446</u>	<u>89,476</u>
	<u><u>1,197,725</u></u>	<u><u>1,336,314</u></u>

Cash at bank earns interest at floating rates based on daily deposit rates.

6. Donations

	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
Donation from the Institute	50,000	50,000
Donation from other parties	<u>10,970</u>	<u>12,260</u>
	<u>60,970</u>	<u>62,260</u>

7. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2014: HK\$50,000) from the Institute. At 30 June 2015, the amount due from the Institute is HK\$50,000 (2014: HK\$50,000) and has been settled after the end of the reporting period.

8. Financial risk management

Financial instruments consist of amount due from the Institute and cash and cash equivalents. The Charitable Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Charitable Fund's exposure to interest rate fluctuations is limited to interest receivable on its bank savings accounts at the end of the reporting period. Management considers that the Charitable Fund has limited exposure to interest rate risk relating to the Charitable Fund's bank balances as the changes in interest rate for these items over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Charitable Fund did not have any interest bearing loans. The Charitable Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Charitable Fund raises donations for general charitable purposes and donations are either collected from the Institute or other parties in advance for subsequent allocation to respective charitable organizations.

The Charitable Fund's surplus cash has been deposited with reputable and creditworthy banks. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Charitable Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Charitable Fund to ensure its capital adequacy.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

37th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2287-7228 Fax: (852) 2865-6776 Web: www.hkicpa.org.hk Email: hkicpa@hkicpa.org.hk