



Accounting
for
Hong
Annual Report
2013
Kong
since 1973



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



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Foreword

The Hong Kong Institute of CPAs is marking 40 years of achievement in 2013.

For 40 years, the Institute has been the only statutory body tasked with licensing, development and regulation of the accounting profession. It stands watch over the core values of Hong Kong and those of the profession: competence, integrity and safeguarding public interest.

The accounting profession's heritage dates back to when the city was just an emerging Asian trade port, while the Institute was officially established as a professional body with the promulgation of the Professional Accountants Ordinance in 1973.

From its modest beginning, the accounting profession has grown from strength to strength, guarding Hong Kong's financial system through challenging times, including bank failures, property slumps, political chaos, technology boom and bust and various financial crises.

The profession played a pivotal role in Hong Kong's success story. It made the city one of the most efficient, respected and trusted business environments in the world, contributing to its transformation from a fishing village into the financial giant we know today.

We are proud of what we have accounted for in Hong Kong over the past 40 years. We have helped this city earn its title as an economic miracle.

We owe great gratitude to those 500 enterprising pioneers who were the first cohort of members in 1973. Now, just as then, the Institute is relentlessly pursuing a path of adhering to best practices to make sure it remains the success ingredient of Hong Kong.

This annual report features the Institute's 40th anniversary as its theme, with short vignettes in each chapter looking back at the development of the accounting profession. Readers will also find illustrations reflecting the mood of each decade in Hong Kong, featuring those who served as the Institute's presidents, registrars and chief executives since 1973.

About the illustrations

The illustrations in this annual report are the works of Harry Harrison, who is best known for his "Harry" cartoons that appear six times a week in the South China Morning Post. Harrison, who was born in the United Kingdom and raised in Libya and Singapore, has lived in Hong Kong since 1994. He also illustrates children's books as well as trade, financial and business magazines, including A Plus, the monthly magazine of the Institute. He has been documenting the city's political and economic development – as well as lampooning its foibles – since then through a range of characters he has created.



President's Report

The Sixth Long Range Plan will chart the Institute's course for the years ahead. In terms of the audit profession regulatory regime, while we maintain that our system has proved effective, we must move forward to align with international practices and build a system that serves Hong Kong best.

Dear members,

It has been a privilege to serve the Institute's members during 2013 – a momentous milestone in our organization's history. We must all be proud of the achievements made by the accounting profession over the past 40 years. We owe a deep gratitude to the inspirational men and women who created the Institute that we know today.

As President, I have been fortunate to be able to learn from the examples set by them. Since 1973, the Institute has witnessed outstanding development from 500 or so original members to the 35,000-plus members we have today. We designed and built our world-class accounting Qualification Programme and today, less than 15 years after it was launched, around 9,000 QP graduates have obtained the prestigious and world-recognized CPA qualification, and more than 15,000 students are studying to pursue the status. Our QP is recognized as a distinguished qualification achievement by leading accounting institutes around the world through formal mutual agreements.

The Institute is, by far, the largest professional body in Hong Kong. More significantly, it is one of the world's top-tier accounting bodies and is accorded great respect internationally as a founding member of the International Federation of Accountants and the Global Accounting Alliance, and as a member of important regional and international accounting groups including the Asian-Oceanian Standard-Setters Group. The Institute is now the Vice-Chairman of this group and will soon become the Chair.

Guiding towards our success have been the various long range plans the Institute carefully developed and implemented over the years. The latest one is the Sixth Long Range Plan, incubated under the leadership of Keith Pogson, our Immediate Past President, and finalized this year.

The plan follows on seamlessly from the Fifth Long Range Plan and will chart the Institute's course for the years ahead as we continue to help Hong Kong maintain its status as an international financial centre and create new opportunities for the profession.

Under my presidency a high priority has been given to member support and development through member engagement. One important new initiative has been the series of members' forums held on the last Monday of the month from April 2013. The forums have provided an excellent opportunity for members to learn more about the work of the Council and the Sixth Long Range Plan, and for us to directly listen to members' opinions.

Achievements aside, there are some imminent changes. As CPAs, we operate in the public interest and so we must meet the expectations of society. In terms of the audit profession regulatory regime, while we maintain that our system has proved effective, we must move forward to align with international practices and build a system that serves Hong Kong best.

Since 2008, the Institute has been in discussion with the Financial Services and the Treasury Bureau and the Financial Reporting Council on the enhancement of the independence of auditor regulation. Years of discussion have culminated in the consultation document on the reform issued in October 2013. We have developed a comprehensive communications programme for different groups of our members to respond to the consultation, making sure their views will be seriously considered. We will also make sure to continue working with the government and other relevant organizations and stakeholders to achieve a sensible solution. Whatever final reforms are put in place, the Institute will continue to play an important role as a statutory body subject to public oversight.

Our membership has become increasingly diverse, and we as an Institute must respond to this heterogeneity. In addition

to being auditors and tax professionals, they are chief executive officers, chief financial officers, chief operating officers, board directors, as well as specialists in corporate finance, banking, restructuring, marketing, human resources, technology and law. Indeed, about 60 percent of our members are working in business and as such, we continue to expand support targeting their specific career needs, including partnering with another professional institute to offer a faculty programme on finance and management, specialized training on independent non-executive directorship and a dedicated programme on financial controllership.

As our members are also increasingly young, the Institute has also responded to make sure it remains relevant and understanding to their aspirations. When the so-called Generation X and Generation Y climb up the career ladder, it will bring change to the corporate world and the Institute. Our latest demographics show that about 44 percent of members are under 40 years old.

In recent years, one of our successful young member engagement developments has been the establishment of the 25.35 Group, aimed at CPAs in that age range. Events designed to serve them include seminars, career development talks and a wide range of networking, cultural and leisure activities. Social media has been employed to improve communication, and the group has a popular Facebook presence.

Meanwhile, we have been honing the services for small- and medium-sized practitioners, by organizing technical workshops, an annual symposium, a quality assurance forum and a business networking event with Shenzhen accounting firms, as well as publishing quality control guidance and articles in *A Plus* about service opportunities. The aim is to encourage them to specialize and differentiate by consolidating their strengths, acquiring new skill sets and offering diversified products to clients, both here and in the Mainland.

As the first woman President of the Institute, I am aware of my place in its 40-year history and my obligations to all members. I am also aware of the significance as Hong Kong still lags behind in terms of the percentage of ladies present in company boards and at C-suite level. As such, over the years, I have been advocating gender diversity on many occasions including seminars, conferences and media interviews. As for our Council, I am really proud that it truly exemplifies gender balance with more than 45 percent women this year. Likewise, in our general membership, the number of females has already reached equilibrium with the number of males, and is set to increase as more female students are joining the profession. The Institute will continue to encourage and support this segment of our membership.

Hong Kong, as a vibrant city of seven million people, a Chinese special administrative region and an international finance centre, will continue to punch above its weight in

terms of influence. We continue increasing our members' opportunities in the vast Chinese market, using developments such as the Mainland and Hong Kong Closer Economic Partnership Arrangement to our best advantage. In spite of the slow pace of negotiations regarding the Qianhai special economic zone in Shenzhen, we will maintain our determination to extend access for our members into special economic and free trade zones and other regions in the Mainland.

The strength of our relationships with Mainland counterparts, Central authorities and provincial and municipal policymakers will serve us well in this regard. We will also continue to reach out to the Beijing decision-makers with whom we have close relations, such as the Ministry of Finance, China Securities Regulatory Commission, Ministry of Commerce, State Administration of Taxation and National Audit Office.

At home, we have augmented our connection with the community, not only cementing our solid ties with the financial and business sectors, but also reaching out to the general public, especially the less privileged. We have launched "CPAs for NGOs" as part of the commemoration of the Institute's 40th anniversary. This new programme recruits accountant ambassadors to be deployed in pairs to visit under-resourced NGOs and advise on their financial management and corporate governance. This joins our already significant community outreach presence, such as our anchor "Rich Kid, Poor Kid" money management programme for children. The latest initiative is our support to the government's "Future Stars" programme to broaden the horizons of the less privileged young people, and help them set clearer goals for future development and to achieve upward mobility.

The issue of work-life balance is of paramount importance and that's why the Institute supports an extensive calendar of social, cultural and sporting events designed to relax, refresh and recharge our members. From dragon boating and marathons to Chinese calligraphy and the popular Merry Monday wine tastings, we hope our members can thrive, socialize and, yes, have fun.

In closing, I would like to thank the many members who have volunteered their time, energy and expertise to our busy professional and social calendar, and extend my sincere appreciation to our Vice Presidents, Council and committee members, and Raphael, the Institute's Chief Executive, and the staff he leads, for their tireless efforts towards the achievement of the Institute's objectives on behalf of its members.

Sincere regards,

Susanna Chiu
President



Chief Executive and Registrar's Review

Our improved position was achieved by effective control of operating costs, prudent stewardship of funds and a small increase in subscription fees to ensure adequate financial resources are readily available to support the Institute's statutory and membership functions.

Dear members,

The Institute has had another eventful year. On our 40th anniversary, we have a tremendous foundation to build upon, and I am confident we can meet challenges that the future will bring. The Institute has commemorated the anniversary of its founding (as the Hong Kong Society of Accountants) with several events.

Our award-winning monthly magazine, *A Plus*, featured a six-part series tracing the Institute's origins and its official launch in 1973, through its exciting history, to its present achievements and forecasts for the future. The series highlighted many success stories of our members that were closely intertwined with Hong Kong's rising from a manufacturing town to a major financial centre of the world.

The regulatory regime of Hong Kong's accounting profession has to be on par with international standards and protect the public interest. Back in 2008, the Institute initiated discussion with stakeholders about possible reform of the audit profession. We later set up relevant committees and working groups to study the matter, and started coordination with the Financial Services and the Treasury Bureau and the Financial Reporting Council on the formulation of an effective system for the oversight of auditors, which resulted in the consultation released in October 2013. We have been engaging members to respond to the consultation so that we can take into consideration their views. The reform may also bring changes to the Institute's operations, about which I will keep you posted over the coming years.

Corporate governance has its origins in the obligations of transparency and accountability on limited liability companies to stakeholders. The Institute is no exception – we have always been vigilant about this and have already put in

place a number of recommendations from our Governance Committee during the year. Please refer to the "Governance Statements" of this report for details.

Last year, the Institute reported its first ever operating deficit and the Council was wary of the risk of a structural deficit. The management is conducting ongoing organizational reviews to ensure the Institute has the right structure and the correct mix of talent to efficiently achieve the goals of the Sixth Long Range Plan. I am pleased to report that despite cost inflation and the rising level and standard of member services, the Institute recorded a surplus of HK\$5 million and a healthy overall financial position in the reporting period, compared with the HK\$8 million deficit recorded in the previous year.

Our improved position was achieved by effective control of operating costs, prudent stewardship of funds and a small increase in subscription fees to ensure adequate financial resources are readily available to support the Institute's statutory and membership functions.

We continue to closely monitor fees and other income, and critically review expenses, while ensuring that members can extract the most benefit from the Institute's resources.

One way to ensure this is the new Member Activity System, which is being developed to strengthen the Institute's database and IT platform. It will enable us to provide a comprehensive service to members covering their whole professional cycle, from registering as a student, to becoming a member, to participation in continuing professional development and other events.

This new system will also allow members to effectively manage their own MyCPA web page in respect of annual renewal, CPD hours, event enrolments and communications

with the Institute. It will also provide strong analytical tools on membership data so that the Institute can provide more targeted services to meet the specific needs of our ever growing and diversifying membership.

We introduced a digital version of *A Plus* as another initiative to effectively use our resources. It has been warmly welcomed by younger members and others who have embraced new media technologies. As guided by the Sixth Long Range Plan, we have implemented other paperless communication and social media to engage our members.

Other initiatives introduced to streamline the Institute's processes can be found in the "Finance and Operations" section of this report.

We have adjusted our China development strategy by leveraging on our CPA brand to enhance opportunities for members. Many of our members are already working very successfully in the Mainland and their skills, competence, experience and values are highly recognized by their employers. Instead of promoting our Qualification Programme as an examination process, we aim to raise awareness among potential employers of what our members are capable of doing, thereby creating market demand for our members and our Qualification Programme.

The Institute has introduced the online Hong Kong CPA Practice Directory, which helps practices promote their statutory services as well as a wide range of other business and professional services. Another achievement in our protection of genuine CPAs was an amendment to the Professional Accountants Ordinance that seeks to prohibit non-CPA entities from using certain descriptions in their names. Meanwhile, in August 2013, we launched HKICPA Source, a new portal of accounting and finance job listings to serve CPAs and recruiters that now has more than 300 job postings.

To meet the development needs of accountants in business, we have signed a mutual examination paper exemptions agreement with the Chartered Institute of Management Accountants. The agreement provides Hong Kong CPAs with even more opportunities around the world by also becoming a member of CIMA. We also partnered with the Hong Kong Institute of Directors to launch a series of training on independent non-executive director practices.

The steady growth in the number of qualified CPAs and students reflects the continuing desirability of being an Institute member. During the year, we have achieved another record high of student enrolments and provided more services to them at higher efficiency.

Hong Kong's education landscape is changing and our Accredited Accounting Technician programme has experienced a decrease in the number of students in recent

years. We understand from a recent survey that demand for an AAT's skill sets remains strong. The Institute and HKIAAT are now working together to study how we could reposition the programme to make sure it will continue to meet the market needs.

Beyond our shores, the Institute is committed to cementing influence within the international community. Through our effective presence on a range of international and regional bodies, the Institute can ensure that Hong Kong's voice is heard. This also arises from our crucial submissions on proposed accounting, auditing and ethical standards, as well as on the constitution review of the International Federation of Accountants, which represents the accounting profession on the global stage.

We hosted a number of high-level international forums such as the IFRS Foundation Trustees meeting in January 2013, which discussed the future of global financial reporting with major stakeholders. We also hosted the 7th IFRS Regional Policy Forum in June 2013, which welcomed senior representatives of national accounting standard-setting bodies, oversight bodies, securities exchanges, governments, practitioners, users, preparers and academia.

Hong Kong's influence in international accounting policy deliberations was reflected by the IFRS Foundation Trustee's appointment of the Institute to represent the Asian-Oceanian Standard-Setters Group in the new Accounting Standards Advisory Forum. We also played a role at the forefront of innovation, with Hong Kong being one of 15 cities chosen to launch the consultation draft of the International Integrated Reporting Council's framework in April 2013. Paul Druckman, the IIRC's Chief Executive Officer, addressed a Hong Kong audience in June 2013 during the consultation period and spoke at our members' conference in October 2012.

Our core values extend beyond the profession and into broader society, where accountants make valuable contributions. We published our third May Moon book for children about money management and ethics as part of our "Rich Kid, Poor Kid" educational programme, which is aimed at teaching money values to children.

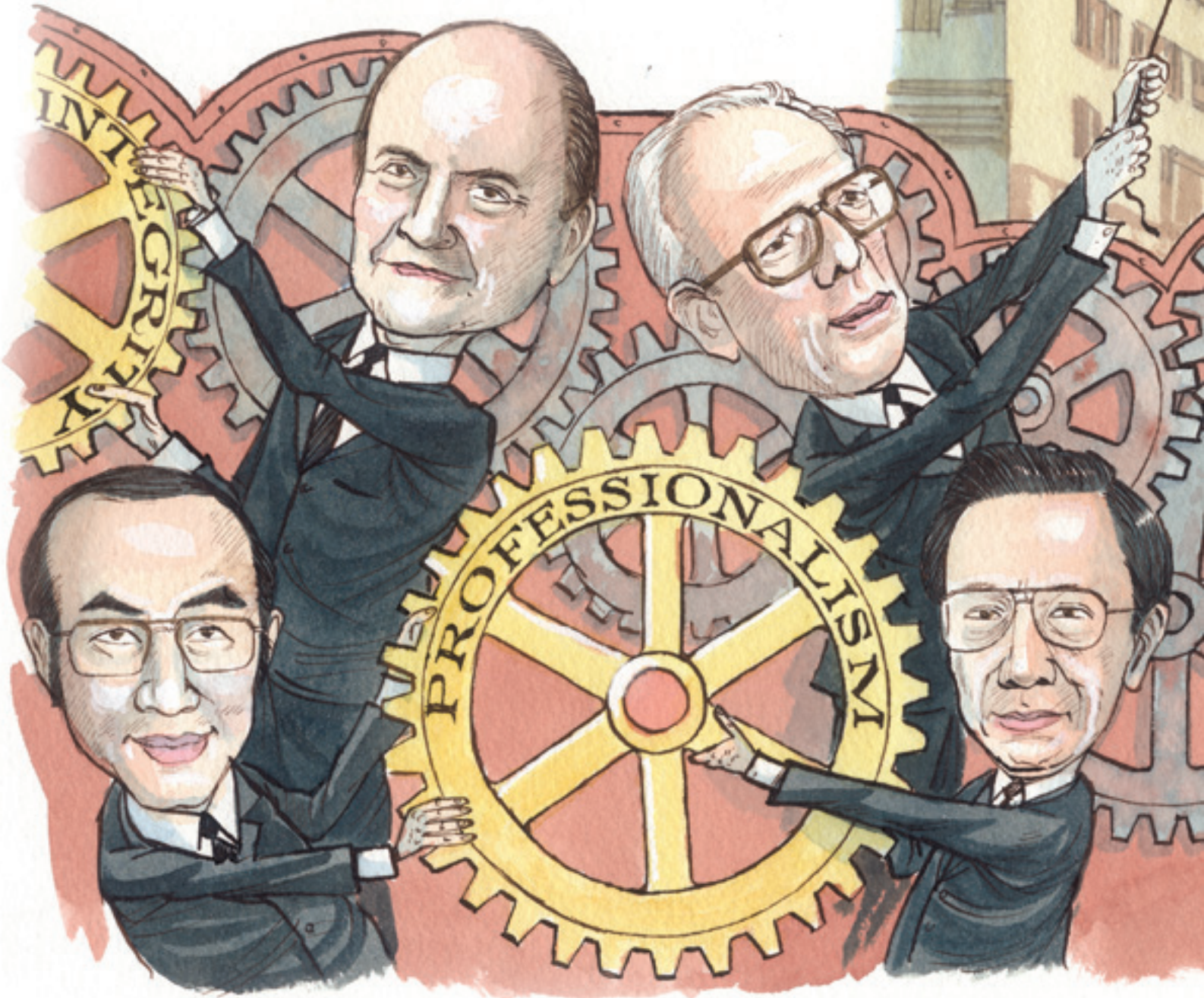
It has been a busy year and I owe my thanks to the Council, the Institute's staff and the many members who volunteer their time for the profession. Thank you all for your invaluable support in making my first year as the Institute's Chief Executive and Registrar a rewarding one.

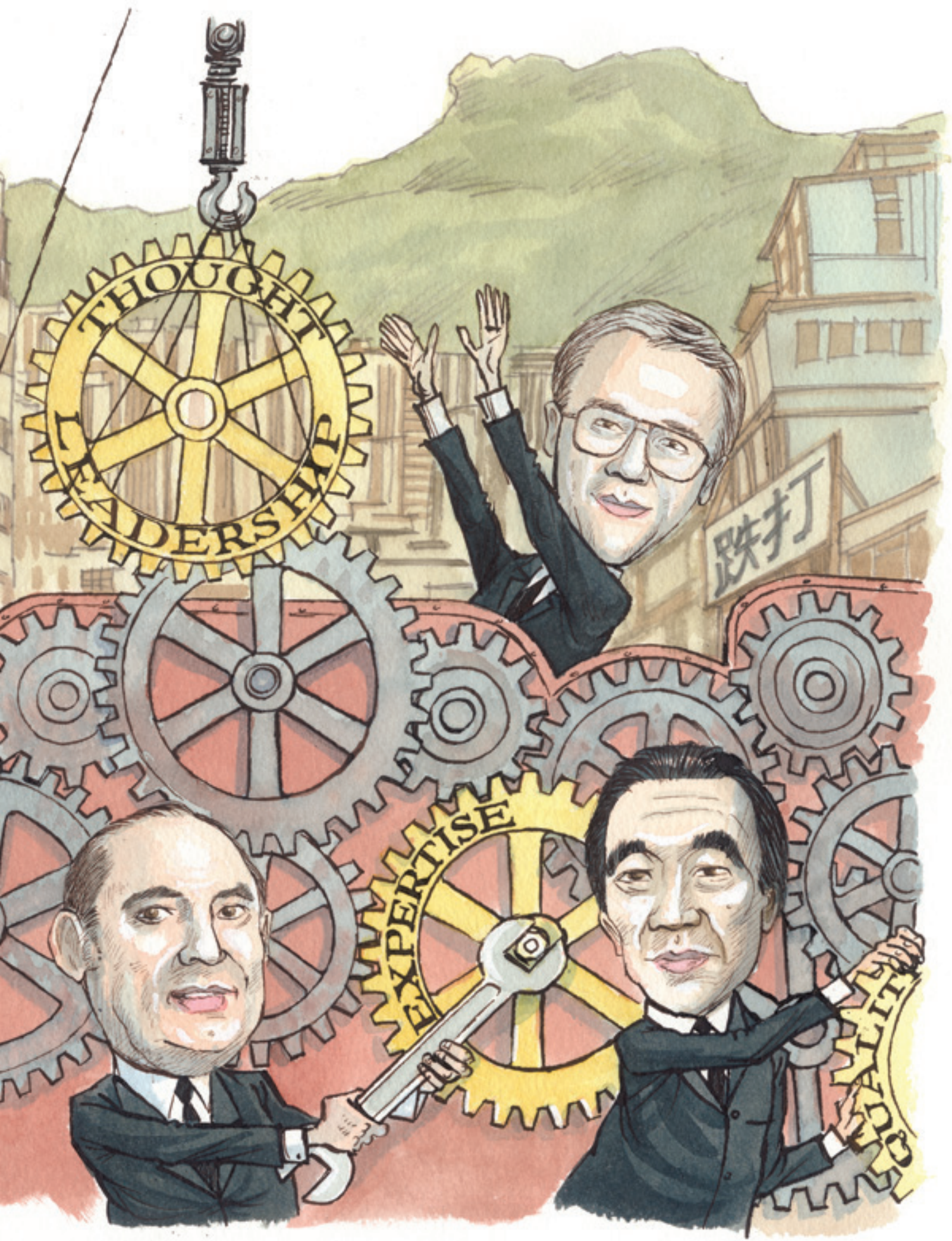
Sincere regards,

Raphael Ding
Chief Executive and Registrar

The 1970s pioneers — such as Presidents Gordon Macwhinnie, Peter Poon, Leslie Gordon, Richard Sheldon and Samuel Wong and Registrars Henry Yuen and Joseph Fok — helped establish the Hong Kong Society of Accountants amid financial crises and bank collapses and worked with the Hong Kong government to strengthen legislation and disclosure requirements. The result was an active, professional group that would work well with authorities and other stakeholders to modernize the profession.

From left: Peter Poon, Richard Sheldon, Gordon Macwhinnie, Henry Yuen, Leslie Gordon, Joseph Fok and Samuel Wong





Finance & Operations

When the Institute began as the Hong Kong Society of Accountants in 1973, there were just three staff working there, with a budget of HK\$200,000. The first facility was borrowed space from the Inland Revenue Department. The austerity continued for a while: Louis Wong, appointed Registrar in 1980, remembers having dual roles as “the Chief Executive and the handyman.” Today, the Institute is in a consistently strong financial position and relies on its staff of talented professionals headquartered in 4,600 square metres of Wu Chung House in Wanchai. The facility boasts modern information technology and enough space for its core focus on member training, development and engagement.

Careful stewardship of our finances has created a healthy financial position for the Institute to embark on major investments in the future of our members and students.

Operating expenses have been critically reviewed and controlled to effectively support the Institute’s functions. We have also improved our organizational structure to ensure the Institute has the right balance and mix of staff to efficiently implement our tactical action plans. As a result, the group recorded a surplus of HK\$2 million in this financial year and the net asset balance was maintained at HK\$332 million.

As the Institute grows, enhancements to its vital information technology are necessary to increase all aspects of efficiency and membership communication. The Institute has begun to revamp its membership database and core operating systems to cope with greater business demands. There has been a continuous focus on data security through a tightening

of system user access rights and overall network safety. New and updated software has improved the data backup mechanism and data recovery times.

Meanwhile, members can now read an electronic version of the monthly *A Plus* magazine on their computer, mobile device or tablet, which has led to substantial savings in production, printing and distribution costs.

To ensure the Institute’s staff salary structure remains in line with the broader employment market, we conducted a salary survey in the first quarter of 2013 by benchmarking with data from relevant and comparable organizations. Necessary market adjustments were made in the annual pay review.

In addition, the first phase of the installation of a new human resources information system has been completed, resulting in enhanced efficiency and accuracy of payroll administration. The Institute also filled two key positions in information technology and internal audit, ensuring better operational efficiency and corporate governance.

The 1980s were boom years in Hong Kong as accountants participated in building up the economy and positioning the city as a gateway to China and Asia ahead of the change of sovereignty in 1997. It was the beginning of Louis Wong's 20-year tenure as Society Registrar and a golden era for Presidents Denys Connolly, John Chan, Thomas Clydesdale, Denis Evans, Peter Wong, Joseph Lai, Robert Gaff, David Gairns and Anthony Yung.



Top row (from left): Anthony Yung, Peter Wong, Thomas Clydesdale; Second row: Denys Connolly; Third row: Robert Gaff, Louis Wong, Joseph Lai, John Chan; Bottom row: Denis Evans and David Gairns

Qualification & Membership

For the first quarter-century of its existence, members of the Hong Kong Society of Accountants (renamed as Hong Kong Institute of CPAs in 2004) were trained to standards set by foreign organizations, mainly from England and Wales, Scotland and Australia. The Society was determined to create its own world-class benchmark and spent several years developing its Qualification Programme, launched in 1999. That effort was spearheaded by Eric Li, Society President in 1994, today regarded as the “father of the QP.” The QP is a comprehensive, internationally recognized training programme that provides the knowledge and skills necessary to become a CPA. More than 12,500 people have graduated from the QP, while nearly 16,000 others are studying to obtain it.

The Institute’s membership continues to grow and, in June 2013, stood at 35,533, including 5,147 fellow members. There were 4,141 practising members at that date, up from 3,937 in 2012, and the number of member practices has grown from 1,610 in 2012 to 1,653 in 2013, including 417 corporate practices.

We renewed our reciprocal membership agreement with the Canadian Institute of Chartered Accountants this year, and also signed a mutual examination paper exemption agreement with the Chartered Institute of Management Accountants, further enhancing the professional mobility of our members. The Institute’s qualification is now recognized by all major capital markets around the world.

Qualification Programme

At the end of June 2013, the number of students studying the Institute’s Qualification Programme – the prestigious and most direct route to joining the ranks of CPAs – was 15,950. There were 958 graduates in the December 2012 session and 825 graduates in the June 2013 session, bringing the total number of QP graduates to 12,573 since it began in 1999. The cumulative figure of QP students from the Mainland is 842, comprising 365 Chinese

Institute of CPAs members and 477 Mainland degree holders.

The number of QP workshop module and examination enrolments continues to grow, reaching a record high of more than 11,500 at the end of the reporting period. Meanwhile during the period, the Institute awarded scholarships to 103 students of accredited accounting programmes offered by Hong Kong and Mainland tertiary institutions.

For the 11th year running, the Institute organized the QP case analysis competition in Hong Kong with a record-breaking 290 teams from 10 tertiary institutions. The competition was also held in the Mainland for the fourth time with 449 teams from 51 universities. This competition has become a signature event among tertiary institutions in both Hong Kong and the Mainland.

In April 2013, an information session about the profession was held for prospective QP students with non-accounting backgrounds. In addition, the Institute organized a career forum featuring exhibitions and workshops as well as a panel of speakers to share their work life experiences and discuss topical issues concerning the profession. There were more than 900 university and QP students at the function.

The Institute organized an annual award and graduation dinner to celebrate the success of its QP graduates as well as a cocktail party after the results announcement.

There were 1,278 employers and 1,888 supervisors registered with the Institute as authorized employers or authorized supervisors to train budding CPAs as of 30 June 2013. The Institute will continue to provide support to students who do not work under authorized employers or authorized supervisors by assigning an authorized supervisor to act as a mentor to them. Currently, 93 supervisors and 59 students have joined this scheme. Since the enhancement programme began in 2008, the Institute has organized visits to 156 authorized employers and authorized supervisors.

As for accreditation, there are 89 programmes now recognized by the Institute for direct enrolment to the QP, comprising 53 accounting degrees and 36 conversion programmes offered by local, Mainland and overseas

tertiary institutions. These figures included those added during the year, including two new accounting degrees and one conversion programme offered by tertiary institutions in Hong Kong, and nine new accounting programmes offered by four universities in the Mainland, comprising Shanghai Jiao Tong University, Sun Yat-sen University in Guangzhou, the University of International Business and Economics in Beijing and Zhejiang University in Hangzhou. There are now 29 accredited Mainland accounting programmes, comprising 16 degree and 13 conversion programmes.

An elite programme has been launched in the Mainland, under which the Institute will sponsor 15 promising students to take the QP course and exam in the December 2013 session. Also in China, the second QP resources centre was opened in partnership with Fudan University in Shanghai to attract talent to join the programme.

Accounting technicians

Since introducing a new qualification framework in 2009

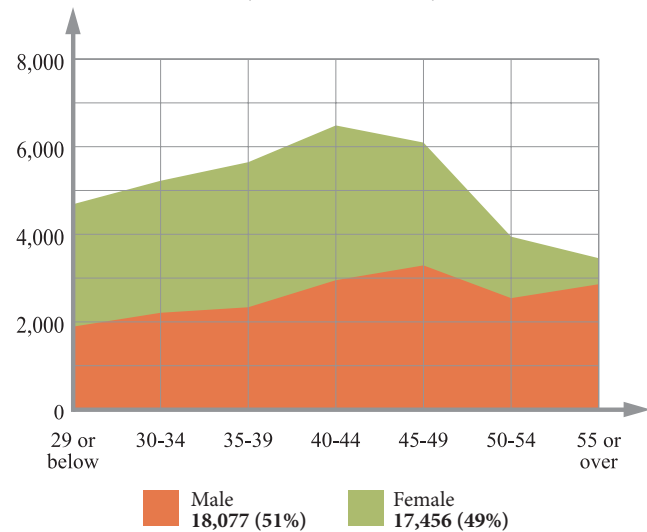
Membership

(As of June 2013)



Member age and gender distribution

(As of June 2013)



Total: 35,533

that tests accounting knowledge and understanding of professional ethics, the Institute’s subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered more than 6,000 new students with its AAT examination.

The HKIAAT has so far accredited 78 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. So far, the Professional Bridging Examination has registered more than 870 students and 977 AATs have become eligible for entry to the QP.

To meet the broadening new senior secondary curriculum, the HKIAAT introduced the AAT Foundation Examination in 2011. During the year, there were about 6,800 enrolments from almost 200 secondary schools.

Continuing professional development

The Institute helps keep members sharp and their skills honed throughout their working life by offering extensive continuing professional development programmes.

There were 326 face-to-face events and 341 e-learning programmes during the year. More than 11,000 members attended these activities, registering 51,821 enrolments.

In addition, the Institute continues to support members who are not working but wish to return to the workplace. A series of six courses was offered to support these members in addition to providing free places at selected CPD events. More than 900 free places were taken up.

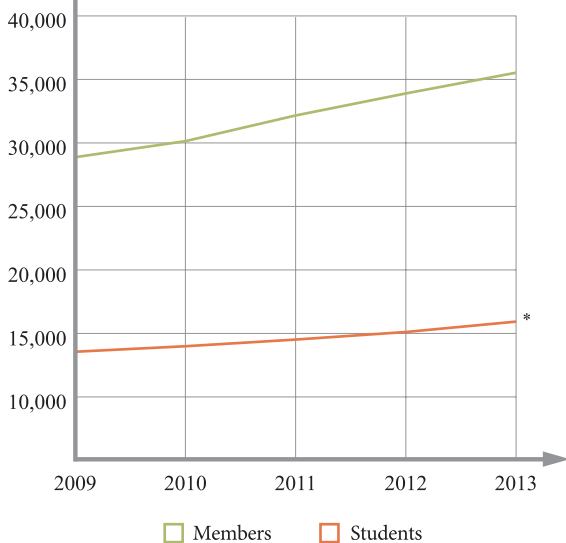
Specialization

Since its debut in June 2010, the Institute’s Specialist Qualification in Insolvency continues to attract interest from members. During the reporting year, the Diploma in Insolvency was held between September 2012 and June 2013, with 20 candidates successfully finishing the course, bringing the total number of candidates who are entitled to use “SQ (Insolvency)” after their names to 339.

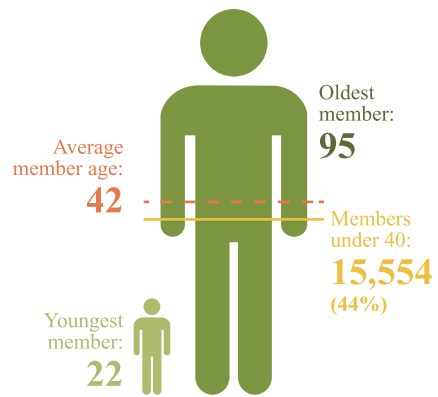
The Specialist Designation in Insolvency, launched in December 2010, builds on the specialist qualification and is

Five-year increase

(As of June 2013)

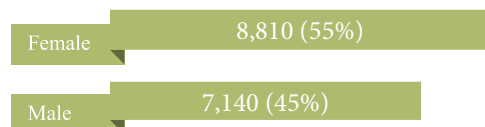


*Comprising 14,439 (91%) students studying QP and 1,511 (9%) students who participated in a joint examination scheme.



Student gender

(As of June 2013)



Total: 15,950

only awarded to members who have considerable experience and have demonstrated competencies in the field. They are entitled to use “SD (Insolvency)” after their names. In 2012-13, 22 members were awarded the designation, culminating in a total of 69 such holders on the register.

The Insolvency Preparatory II course took place from July to August 2012 with 71 enrolments, and Preparatory I was held from March to May 2013 with 124 enrolments.

The Institute’s second specialist faculty, the Taxation Faculty, was launched in July 2012. The Advanced Diploma in Specialist Taxation was held between April and December 2012, and there were 43 graduates in this cohort. The current course began in March 2013 and will continue until March 2014. A new modular approach has been adopted to give candidates flexibility to complete the three modules at their own pace. The first module, Intermediate China Tax, with 49 enrolments, began in March 2013 and ended in June 2013, while the second module, Advanced Hong Kong Tax, was offered between June and September 2013, with 62 enrolments.

Various seminars and other events were organized for the benefit of members of the Restructuring and Insolvency Faculty and Taxation Faculty as well as the Corporate Finance Interest Group and the Forensics Forum. These included major update conferences on Hong Kong and Mainland tax and a joint seminar with the Association of Certified Fraud Examiners to inaugurate the new Forensics Interest Group. A joint seminar with the Chartered Institute of Management Accountants and other forums were organized for professional accountants in business.

Advocacy and advisory

Advocacy remains high on the Institute’s agenda, for example the carefully considered proposals submitted to the Hong Kong Financial Secretary regarding the annual budget. The Institute issued a media release, gave media interviews and held a commentary forum on the day the budget was issued.

The annual meeting with the Commissioner of Inland Revenue continued to take place with the publishing of a detailed record of those discussions. In other government interactions, the Institute is represented on the Joint Liaison

Committee on Taxation (a government advisory committee on tax) and participated in a peer review meeting in Hong Kong conducted by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

In Beijing, a meeting was held between the Institute and the State Administration of Taxation on issues relating to Mainland and cross-border taxation affecting Hong Kong businesses and individuals. A detailed record of the discussions was published.

The Institute has an extensive external liaison network and maintains representation in the Official Receiver’s Office Service Advisory Committee, the Joint Admission Committee and Appeal Panel for the Panel A scheme, and the Companies Registry Users’ Committee. We also maintain regular contact with the Legislative Council Accountancy Functional Constituency representative on various issues.

During the year, the Institute commented on a range of consultations and other proposals in relation to the following legislation and issues:

- Proposed legislative amendments for entering into tax information exchange agreements in the Inland Revenue (Amendment) Bill 2013;
- Regulatory consultation on regulation of initial public offering sponsors; trading halts; Listing Rules changes consequential to the Securities and Futures (Amendment) Ordinance 2012 on inside information; board diversity; and connected transaction rules, including changes to definitions of “connected person and associate under the Listing Rules”;
- The amended Companies Ordinance, including 12 pieces of subsidiary legislation (phases one and two), including the disclosure of directors’ residential addresses and ID numbers; and a regulation on various fees payable to the Registrar of Companies;
- Improvement of the law relating to corporate insolvency;
- Input into the International Ethics Standards Board for Accountants’ exposure draft on reporting of suspected illegal acts;
- Various draft consultations and papers issued by

International Federation of Accountants Professional Accountants in Business Committee;

- Various Official Receiver's Office consultations, including the review of petitioners' deposits and rules for contracting out insolvency work; and
- A United Nations global compact anti-corruption risk assessment project.

Setting the agenda

The 2012 Best Corporate Governance Disclosure Awards competition, which sets the benchmark for high governance standards in Hong Kong, was successfully held. In light of the changes to the Corporate Governance Code and Listing Rules, we also conducted a review of the marking scheme for the 2013 awards, which were launched at a media briefing in early July 2013.

In October 2012, we held a high-level conference bringing together heavyweights from government and business to explore opportunities and challenges for Hong Kong as a world capital market. It was a rare occasion of strategic-level thought leadership discussion with some of Hong Kong's and the world's leading authorities on the sustainability of business success and the future of the accounting profession.

Technical support

The Institute organized seminars on anti-money laundering for accountants with the Narcotics Division of the Security Bureau. On the taxation front, the Institute organized Mainland and Hong Kong tax update conferences.

Throughout the reporting period, we continued to keep members updated on news and standards through the monthly technical newsletter, *TechWatch*, as well as regular newsletters on specialized themes, including *The IP's Voice* for Restructuring and Insolvency Faculty members, *Inside Business* for professional accountants in business, *Tax Link* for Taxation Faculty members and *Corporate Finance Alert* for Corporate Finance Interest Group members.

A new edition of *A Guide to Quality Control* was issued in early June 2013. It helps public accounting firms of different sizes design, document, implement and maintain quality control systems by providing sample policies and

procedures. The Hong Kong CPA Practice Directory was launched in April 2013 on the Institute's website to help member firms and corporate practices market their services. HKICPA Source was also introduced to help members find jobs and allow employers to place job advertisements for CPAs free of charge.

More technical support for members is covered in the "Standards and Regulation" section.

Member engagement

The Institute engages members through a wide spectrum of events and groups. Events convened by the Institute included a forum on the accountancy functional constituency during the 2012 LegCo election; two visits to the LegCo complex and a visit to the Electoral Information Centre; a forum on the 2012 Council election; and a members' forum on the fee adjustment for 2013.

The Institute has issued 11,548 affinity dual-currency credit cards to members since the programme's launch in 2012.

Various groups within the Institute organized a wide range of activities. About 80 small- and medium-sized practitioners, for example, attended a dinner discussion forum in July 2012, where the Institute explained the action it had taken against unlicensed CPAs in Hong Kong and its cooperation with counterparts in Beijing and Shenzhen. Another dinner forum in May 2013 provided participants with an update on the SMP sub-groups' work plans and results of the Institute's second SMP quick poll. A seminar held in August 2012 between Hong Kong and Shenzhen accounting firms, with a networking lunch and visits, attracted 116 participants, including 42 from Hong Kong. Quality assurance forums were held in September 2012 and June 2013.

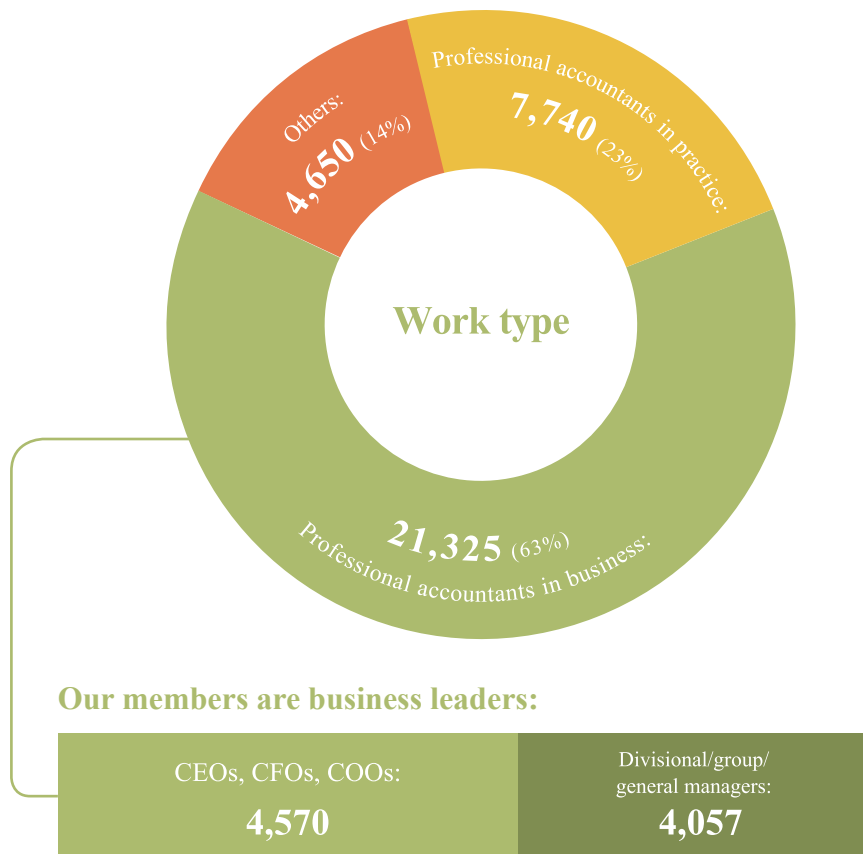
In November 2012, the Institute held its annual SMP symposium, featuring briefings and updates on the Institute, tax and company law, practice review and standards. There was also an opportunity to meet the LegCo Accountancy Functional Constituency representative and participate in a networking lunch with Council members in the SMP sector. More than 300 members attended the symposium.

Young members are catered for through the 25.35 Group. Nearly 700 participants attended 10 events during the

reporting period, such as a focus group gathering of QP graduates to assess their needs of the Institute’s services as prospective members. There were also three networking events, including a Junior Chamber International Hong Kong’s happy hour, which 60 members attended along with more than 100 other young professionals and entrepreneurs. In addition, a career development seminar and a joint seminar with other professions on sustainability were organized. There were also events that covered leisure, hobbies and general interests, including two China heritage and culture study trips to Guangzhou, a hairy crab and Chinese wine tasting dinner

and a dragon boat fun day.

Recreational activities are organized under the auspices of the Sports and Recreation Club, which now has 3,511 members – a 50 percent increase over 12 months. Two new interest groups – photography and snooker – have been formed, while a newly introduced Chinese calligraphy class, taught by a renowned calligraphist, was met with an overwhelming response from members. Representative teams won championships in various external competitions, including athletics, badminton, basketball, dragon boating, football, golf and sailing.



Source: Member census with 33,715 respondents as of June 2013





The 1990s culminated in the transition of Hong Kong from British to Chinese sovereignty. Presidents Marvin Cheung, Selwyn Mar, Felix Chow, Dudley Harding, Eric Li, Nicholas Etches, Brian Stevenson, Tim Lui, Aloysius Tse and P.M. Kam ensured a smooth transition for the profession and enhanced its ties with the Mainland counterpart and authorities. The profession rode difficulties caused by currency speculation and the subsequent Asian financial crisis, while the decade ended on a cliffhanger as Hong Kong awaited the effect of the “Millennium bug” on computers.

***Back row** (left to right): Felix Chow and P.M. Kam; **Second row**: Tim Lui, Dudley Harding, Aloysius Tse, Brian Stevenson and Eric Li; **First row**: Marvin Cheung, Nicholas Etches and Selwyn Mar*

Standards & Regulation

Four decades ago, the Hong Kong accounting profession generally went along with whatever standards that were set in the U.K. In the 1970s, Hong Kong's accounting standards could be tabulated in a few pages. However, it was gradually realized – given the city's status as a financial centre, trading port and gateway to China – that something more sophisticated was needed. The Institute achieved international standards convergence in 2005, among the first in the world. Today the Institute is an important player, exerting influence over global standards setting and is highly regarded as a centre of excellence for financial reporting standards.

We are committed to ensuring that our professional standards and ethics and the quality of our members' work continue to command public trust and confidence and our professional standards are of the highest quality and relevance to Hong Kong.

By providing extensive support to our members, we help maintain the quality of their work. We also monitor their achievements through our Quality Assurance Programmes. When members fall short of expected standards, we act promptly and effectively to address the matter.

International and Mainland connection

The Institute maintains full convergence with international standards on financial reporting, auditing and assurance and ethics. During the year, we issued 13 updates on revised standards and interpretations.

We are fully engaged in the accounting profession internationally, and world standard setters welcome and respect our views. This year, we hosted forums, roundtable meetings and panel discussions with IFRS trustees, members and staff and hosted the 7th IFRS Regional Policy Forum.

The Institute also attended the World Standard-Setters meeting in London as well as International Forum of

Accounting Standard Setters meetings and supported the Institute's representative on the IFRS Advisory Council. In the year, we issued 26 comment letters on international proposals.

In our capacity as Vice Chair of the Asian-Oceanian Standard-Setters Group, the Institute was the region's representative on the newly formed IFRS Accounting Standards Advisory Forum, which gave us an excellent opportunity to deepen our direct contact and dialogue with the IASB and to build on Hong Kong's reputation as an Asian hub of quality financial reporting practice.

We also attended regular AOSSG meetings and actively participated in the group's "centre of excellence for a developing country" programme, which seeks to build standard-setting capacity and capability in Asia.

The Institute maintained dialogue with counterparts in the Mainland, in accordance with the joint declaration for the convergence of Chinese and Hong Kong standards.

To help members understand and apply new standards, the Institute held more than 80 events, including technical update evenings, HKFRS for Private Entities workshops, training for audit staff, seminars on the revised code of ethics and forums on financial reporting and auditing. We also held annual accounting and auditing update conferences, which were popular among members.

The Institute continued to make information on new and revised standards accessible to members and the public on a timely basis through several channels, including staff summaries on newly released standards, explanatory material published in our weekly e-circular and in the monthly *TechWatch* bulletin, the Institute magazine *A Plus*, the online resource centre for small- and medium-sized practitioners and small- and medium-sized enterprises, and financial reporting and auditing alerts.

During the year, we enhanced our technical resources web page to provide a “one stop” source for all standard-setting-related information.

Quality assurance

The Institute operates two Quality Assurance Programmes to monitor the quality of the work of its members.

The Practice Review Programme adopts international standards of best practice, including giving priority to reviewing practices with listed clients. During the year, 197 site visits were made and the Practice Review Committee considered 206 reports.

Where deficiencies were identified, the committee exercised its powers to direct firms to take remedial action, require further site visits or recommend disciplinary action. The Institute also started referring selected cross-border engagements undertaken by our practising firms to the Supervision and Inspection Bureau of the Ministry of Finance for review to enhance review coverage.

The Institute’s Professional Standards Monitoring Programme reviews published financial statements of listed companies, including those of H-share companies audited by Mainland audit firms. During the year, we reviewed 89 sets of financial statements and sent 44 letters to auditors and members with constructive commentary on the quality of financial reporting. Cases requiring in-depth investigation are referred to the Financial Reporting Council for follow up.

The Institute uses the findings from both 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.

The Institute’s Standards and Quality Accountability Board oversees the work of the Quality Assurance Department. In late 2012, the board endorsed a report on a process review conducted by the Practice Review Committee that concluded the Practice Review Programme met local legal requirements and international standards and was carried out in accordance with established procedures.

Compliance

During the year, 123 new complaints were received, bringing the total caseload to 187. Complaints against our members are initially evaluated by the Professional Conduct Committee, which has powers to dismiss unsubstantiated cases and adjudicate minor ones. The committee refers serious cases to the Council, which determines whether a case warrants referral to the Investigation or Disciplinary Panels.

The committee considered 119 complaints during the year. Of these, 69 were closed as no *prima facie* case was established; 22 disapproval letters were issued; and 28 serious cases were recommended for referral to the Disciplinary Panels. The Institute handled three appeals against Disciplinary Committee decisions. The Court of Appeal dismissed two of these cases, while one remains in progress. In June 2013, the Court of Final Appeal dismissed a judicial review application against the Institute arising from regulatory proceedings involving a CPA firm.

At the beginning of the year, five disciplinary cases were in progress. During the year, the Council referred another 28 cases to the Disciplinary Panels. The Disciplinary Committees concluded 12 cases this year.

The Institute’s Regulatory Accountability Board oversees the Compliance Department and, at the end of 2012, conducted a process review to assess whether the department had adhered to established internal procedures when handling complaints, investigations and disciplinary cases. The results of the review were positive and concluded that cases have been dealt with in accordance with established procedures.

China & International

When China opened up to the world, members of the Hong Kong Society of Accountants (now the Hong Kong Institute of CPAs) were at the forefront. Veteran members such as Selwyn Mar (President of 1991) recall their tentative first steps: travelling along unpaved roads, staying in rundown hotels and trying to explain the most basic concepts of accounting to cadres wearing Mao suits. Today, thousands of members regularly work in the Mainland, travelling around the country in jetliner or bullet train. Since then, China has transformed from distant stranger to become our intimate partner. The Institute contributes greatly to China's alignment of its accounting standards with international practice, while the Mainland offers massive career and business opportunities to Hong Kong accountants.

As China grows economically stronger and its companies become more sophisticated and international, the Institute continues its efforts to foster closer ties and cooperation with the accounting profession, the financial community and regulators between the two places. This is to enhance opportunities for our members, many of whom already live and work in the Mainland.

One area of mutual cooperation concerns the Closer Economic Partnership Arrangement and the profession's aspirations for access to the Mainland market. The Institute's management and Council members visited Beijing several times during the year to meet with officials from the Ministry of Finance, Chinese Institute of Certified Public Accountants, China Securities Regulatory Commission, Ministry of Commerce, State Administration of Taxation, National Audit Office and other organizations.

In June 2013, the Institute President attended an exchange meeting organized by the Hong Kong Economic and Trade Office in Guangdong in connection with policies relating to the Qianhai Special Development Zone, while the Chief Executive and Registrar and the Director of Member and Corporate Services attended a meeting with the Shenzhen Municipal Finance Committee in July 2012 to discuss policies relating to the establishment of CPA practices in Qianhai by Hong Kong accounting professionals. In April 2013, the Institute also had a meeting with the Guangdong

Provincial Finance Bureau to discuss possible measures in allowing Hong Kong accountants to develop their business or career in Guangdong.

Mainland delegations received by the Institute included those from the Ministry of Finance, China Securities Regulatory Commission, Chinese Institute of Certified Public Accountants, and provincial and municipal agencies.

The Institute has a continuing role to play in enhancing the professional skills and knowledge of members in Mainland matters. Professional events held throughout the year included seminars on microfinance and the cross-border enforcement of arbitral awards and court judgments, and a Mainland Business Interest Group cocktail reception, which attracted more than 200 participants. We also provided members information and update, such as through articles on Mainland finance issues in *A Plus*; free China Desk advisory services; technical and news updates on the Institute's website; and assistance with subscriptions to Mainland accounting and tax journals and yearbooks.

International

The Institute maintains a high global profile through its representation on international committees and meetings to ensure the views of our members will be taken into account when new global issues are agreed on.

During the year, we actively engaged with the International Federation of Accountants, in particular, in a special task force

chaired by the Institute's President to support professional accountants in business in responding to the changing expectations of financial markets and societies around the world. The task force has published a paper on the competency and versatility of professional accountants in business in driving sustainable success and is developing a principles document on the key roles of chief financial officers.

Apart from leadership meetings at the Global Accounting Alliance, we were also involved in a directors group to study global tax issues and their impact on the practices of professional accountants.

At the International Innovation Network, we participated in the business task force to look into broader issues on how to support members.

As an important recognition of the Institute's standing in global accounting standard setting, the Institute was

appointed, on behalf of the Asian-Oceanian Standard-Setters Group as its Vice Chair, to the newly formed IFRS Accounting Standards Advisory Forum in March 2013. International delegates converged in Hong Kong in June 2013 for the 7th IFRS Regional Policy Forum to discuss ways for better financial reporting in the future.

During the year, the Institute facilitated the International Integrated Reporting Council in promoting its consultation draft of its reporting framework. In April 2013, the Institute co-hosted an event when Hong Kong was chosen as one of 15 major cities around the world to launch the draft. In June 2013, when the CEO of the council visited Hong Kong, we lined up meetings with regulators and other stakeholders and did a profile interview with him in *A Plus* to allow members to know more about the trend and progress of integrated reporting.

The Institute's international involvement is extensive as listed in the table below:

Representatives in international and other overseas bodies

Asia-Oceania Tax Consultants' Association

Anthony Tam, Vice President

Asian-Oceanian Standard-Setters Group

Clement Chan, Vice Chair

Global Accounting Alliance

Raphael Ding, Board member

Chris Joy, Technical Directors' Group member (since June 2013)

Jonathan Ng, CAGE Education Directors' Reciprocity Project member

Institute of Chartered Accountants in England and Wales

Edward Chow, Council member (co-opted)

International Accounting Standards Board

Ronald Arculli, IFRS Foundation Trustee

Carlson Tong, (retired in December 2012) / **Roger Best** (since January 2013), IFRS Advisory Council members

Clement Chan, IFRS Accounting Standards Advisory Forum member (representing the AOSSG)

Peter Kilgour, Lease Accounting Working Group member

International Association of Restructuring, Insolvency and Bankruptcy Professionals

Edward Middleton, Board Director

International Federation of Accountants

Albert Au, Small and Medium Practices Committee member

Susanna Chiu, Professional Accountants in Business Committee member

Judy Tsui, Nominating Committee member

International Innovation Network

Alison Wilde, General Assembly member and Coordination Committee elected member

*Back row (left to right): David Sun, Albert Au, Edward Chow, Paul Chan and Paul Winkelmann;
First row: Andy Lee, Winnie Cheung, Lee Kai-fat, Roger Best, Mark Fong and Alvin Wong*



The early 2000s saw our major trading partners being struck by the horror of terrorism, while our city was hit by the Severe Acute Respiratory Syndrome and the accounting profession was rocked worldwide by the Enron scandal and the collapse of Arthur Andersen. These crises also brought vast opportunities for Hong Kong accountants as they utilized their special skills to help business step up disaster recovery and risk mitigation systems. P.M. Kam was re-elected President in 2000 with Andy Lee, Alvin Wong, David Sun, Roger Best, Edward Chow, Paul Chan, Mark Fong, Albert Au and Paul Winkelmann succeeding in subsequent years. Lee Kai-fat became Registrar at the beginning of the decade, while Winnie Cheung succeeded as Chief Executive and Registrar in 2004.



Branding & Communications

Forty years ago, before the Society was founded, accountants had little in the form of a cohesive identity.

Today, the Institute is committed to protecting and promoting the CPA brand – ensuring imposters are identified and punished – and successfully offering the CPA designation as a visible “Success Ingredient.”

Our first publication, a photocopied newsletter compiled by the first Registrar, Henry Yuen, was mailed to members in March 1973. Today, the Institute communicates with members, stakeholders and the public through its sleek monthly A Plus magazine, weekly e-circulars, media releases, member engagement and all the other trappings of a modern corporate communications platform with digital and social media presence.

The Institute continued its policy of engaging meaningfully with its members, the financial community, important business stakeholders, the government and regulators, and Hong Kong society at large.

From April 2013, the Institute launched a monthly forum to enhance members’ understanding of the management and leadership, explain the work of the Council and inform members about the strategy and goals behind the Sixth Long Range Plan.

Auditing issues figured prominently in mainstream media during the year and the Communications Department dealt with a number of inquiries about auditor regulation reform in Hong Kong, the accessing of audit working papers in China and the meaning of state secrets – making sure the stories were reported truly and comprehensively.

We strived to ensure the media and public were fully informed about the progress and rationale of auditor regulation reform. We put emphasis on the public interest, international practices and fair treatment to all parties concerned, in particular, in liability reform.

The Institute’s leadership has maintained a high media visibility this year. Raphael Ding’s appointment as the Chief Executive and Registrar in 2012 was covered widely

while Susanna Chiu, as the first female President in 40 years, garnered much attention. Topics covered included gender diversity, the Sixth Long Range Plan, auditor regulation reform and work-life balance.

In other developments, the media widely reported the Institute’s annual Best Corporate Governance Disclosure Awards, now in the 14th year. Other major events that attracted widespread attention included the Institute’s submission on the Hong Kong government budget and a forum in August 2012 at which more than 200 members met candidates for the 2012 Legislative Council Accountancy Functional Constituency election. Our hosting of two international conferences – IFRS Foundation Trustees meeting in January 2013 and 7th IFRS Regional Policy Forum in June 2013 – also attracted wide media interest.

Such events are designed to heighten the visibility of the CPA brand and signal its importance as “The Success Ingredient” in Hong Kong and beyond.

The CPA brand was also strengthened by *A Plus* – the Institute’s member magazine – which profiled successful accountants throughout the year. Members, be they the chief financial officer of a large Mainland-listed company or a retiring CPA, explained how they are using their expertise to contribute to success in business and society at large.

Events

One highlight of the year has been the 40th anniversary of the Institute, the commemoration of which has been marked by a series in *A Plus*, snippets of facts and news in the weekly electronic circular, and a number of newspaper supplements to be published in December 2013 to coincide with the gala dinner.

The anniversary is also marked by a corporate video, specially produced to look back at the 40 years of history of the Institute, and its amazing growth from being a small group to becoming an important backbone for Hong Kong as a world financial centre.

We launched HKICPA Source – an online listing of accounting jobs – in August 2013, showing the versatile career opportunities for CPAs. The site connects our members with employers who can post vacancies free of charge. We also marketed the service to Mainland employers who could benefit from our CPA expertise.

In April 2013, we debuted another online tool – Hong Kong CPA Practice Directory – to help member firms market their range of professional services to business users.

Community service

As another commemorative event, this year also saw the formation of a core working group of members to drive a new social initiative to make a difference. The programme is recruiting accountant ambassadors to advise under-resourced non-governmental organizations on their financial management and governance.

Institute members continued to make a difference with the Smart Way Forward mentorship programme, co-organized by the Institute and Caritas Hong Kong. This year, 26 CPAs joined the six-month programme as mentors and adjudicators, coaching more than 100 students to work on an accounting case study.

The latest in the May Moon series of children's storybooks, in which May and the kids of Sadtown learn ethics and money morals from CPAs, was published in August 2012. *May Moon's Book of Choices* is the third May Moon storybook in the series, written by *A Plus* columnist Nury Vittachi, designed to share CPA expertise in money management with Hong Kong families.

Member communications

The digital version of *A Plus* was introduced in October 2012 and has received strong support from members. With effect from January 2013, the Institute only sent hard copies of the magazine to members upon request. Providing the digital version shows that the Institute is responsive to members' needs as an increasing number of them – in particular young ones – read content online through digital devices. It also shows that the Institute cares about the environment and seeks ways to deliver its services cost effectively.

The Institute invited members to vote for their favourite *A Plus* cover features as another engagement exercise. In giving their votes, members also provided valuable suggestions to improve the magazine. In 2013, to help members better understand the Council, the governing body that sets policy for overseeing the operations of the Institute, *A Plus* featured a series profiling every member.

Throughout the year, the magazine served as an important communication channel to highlight the versatility of our membership, covering topics catering to practitioners big and small; members in business; members in public and non-profit sectors; young, senior and retired members; and members from both genders. From time to time, the media also captured CPA success stories reported in the magazine.

Awards

Our members' contribution to public service was recognized when three Institute members were included in the government's July 2013 Honours List. Institute President Susanna Chiu was awarded the Medal of Honour for her dedicated public service, particularly her contribution to the accounting profession. A Silver Bauhinia Star was awarded to Chu Yam-yuen, former Commissioner of Inland Revenue, while another Medal of Honour was awarded to Charles Chow, a Partner with Wong Brothers & Co.

Two Past Presidents of the Institute, Philip Tsai (2011) and Keith Pogson (2012), came first and second respectively in the 1,000-metre Chairman's Invitational Race during the MTR Hong Kong Race Walking event in 2012. This high-profile annual fundraiser promotes healthy living.

Meanwhile, *May Moon's Book of Choices* – the most recent in the storybook series – won an honour for custom publications in the 26th Mercury Excellence Awards, which recognize outstanding achievements in professional communications.



Clockwise from top: Keith Pogson, Raphael Ding, Wilson Fung, Susanna Chiu and Philip Tsai

Regulatory reform continued in the 2010s as the world came to terms with the ongoing global financial crisis. The early years of the decade saw Wilson Fung, Philip Tsai, Keith Pogson and Susanna Chiu in the post of President, while Raphael Ding took over as Chief Executive and Registrar in 2012. Today, the Institute is aspiring to build the profession from strength to strength according to the Sixth Long Range Plan, riding on the ever-booming digital era.

Governance Statement

From its inception in 1973, the Hong Kong Society of Accountants has always led by example. It places corporate governance as a top priority and acts with transparency, efficiency and accountability to members, stakeholders and the public. As an example of this commitment, seven committees were set up to support the work of the governing Council in the first year alone. In 2004, capitalizing on this solid foundation and to further enhance the Council's representation and independence in discharging its oversight functions, the Professional Accountants Ordinance was amended to admit lay members from different backgrounds to join the Council, which is today supported by a strong network of decision-making and advisory committees – overseeing everything from financial control to regulation and registration.

On behalf of our members, we ensure governance at all levels of the Institute adheres to the highest standards and supports an ethical and responsible culture – attributes that are imperative for a regulatory body working in the public interest.

As a statutory organization, we are committed to setting an example and raising expectations of what good corporate governance can achieve. The high quality of our governance maintains and uplifts the confidence of our members, the users of their services and the public.

We continue to strengthen our governance by scrutinizing internal controls, using technology to enhance the efficiency, security and accountability of our internal operations, and attracting and keeping the most talented people so we can deliver the highest quality services to our members.

The governing Council

The Council is the governing body of the Institute and consists wholly of volunteers – non-executive members who are not compensated. The Council makes decisions on overall strategy, policy and direction and oversees the Institute's operations and governance with the assistance of both monitoring committees and advisory committees. It is also the decision-making body on matters stipulated in the Professional Accountants Ordinance.

This year, the Council consists of 22 members. Thirteen are CPAs directly elected by the membership, including the Immediate Past President who is serving his remaining elected term and provides continuity. One appointed member filled the casual vacancy left by a member who joined the Institute as Chief Executive and Registrar. Two additional CPAs were co-opted by the Council to round out its skills. 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 and advice.

The combination of members from within and outside the accounting profession gives the Council a balanced perspective to debate 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 is doing its job in accordance with the strategies and policies determined by the Council.

Audit Committee

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 currently consists of four members, a majority of whom are independent (i.e. not current Council members).

Four Accountability Boards

The four Accountability Boards oversee the broad functions of the Institute: regulation; standards and quality; professional qualifications; and member services. Each board reviews the work of management to ensure that operations of the Institute are executed in accordance with the directions set out by the

Council. Details of activities in these four areas are covered in previous sections of this annual report.

Advisory committees

The advisory committees consist of the Governance Committee, Nomination Committee, Remuneration Committee and Registration and Practising Committee that provide advice to crucial functions of the Institute.

Governance Committee

During the reporting period, the Governance Review Task Force has become a standing committee, named as the Governance Committee. It continues to develop and review existing policies, rules, regulations 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 role of the Institute in public elections. The committee makes recommendations to the Council with a view to improve objectivity and efficiency in Institute's governance. The Council has accepted the following recommendations during the year:

- Continue the Institute's role in public elections to let Institute members know more about the candidates;
- Expand the composition of the Nomination Committee to six members to include two government-appointed lay Council members;
- Refine the guidelines on committee appointments relating to maximum length of services, in general six years, to embrace more Institute members who are interested in serving on committees;
- Disclose the names of members petitioning for Extraordinary General Meetings in the future;
- Continue to keep Council meeting minutes confidential;
- Set out a mechanism to deal with a situation where the number of Council members who declare a conflict of interest will result in the Council having a quorum;

- Develop a basis to fill a casual Council vacancy; and
- Establish a policy for Institute Directors' attendance at Council meetings.

Nomination Committee

At the recommendation of the Governance Committee, the Nomination Committee is now composed of six members, comprising the President, the two Vice Presidents, the Chief Executive and Registrar, and two government-appointed lay Council members.

It makes recommendations to the Council on the appointment of the Institute's committees and the co-option of Council members. On behalf of the Council, it also approves nominations of Institute representatives for external appointments.

Remuneration Committee

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 Council – based on the recommendation of the leadership team, comprising the President, Vice Presidents and the Chief Executive – determines the remuneration of directorate staff within the parameters of the remuneration policy set by the Remuneration Committee. The Council is in a good position to make an informed decision about directors, who serve various committees and whose performance is known to Council members who also sit on these committees. Input is also obtained from committee Chairs.

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 conditions.

Registration and Practising Committee

As a statutory committee, the Registration and Practising Committee examines the qualifications of the applicant for registration and advises the Council as to whether the applicant should be registered or whether the application should be rejected.

It also advises the Council on applications by certified public accountants for practising certificates, and makes such inquiries as it may consider necessary to ascertain whether the applicant has had the experience required by the Professional Accountants Ordinance and is otherwise eligible to hold a practising certificate.

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

Execution

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 day-to-day operations while at the same time acting as secretary and policy adviser to the Council. The Chief Executive and Registrar also works with a management team of two Executive Directors, a General Counsel and eight Directors. Together they manage about 200 staff and a network of statutory, decision-making and advisory committees and panels.

An Executive Committee comprising the Chief Executive and Registrar, the Executive Directors and the heads of Legal, Finance, Communications, and Member and Corporate Services 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.

Corporate social responsibility

The Institute and its members are responsible corporate citizens who use their accounting knowledge and professional experience to contribute to Hong Kong society. The main corporate social responsibility programme developed by the Institute is “Rich Kid, Poor Kid,” which teaches primary and secondary school children money skills and values. The Institute and its members also contribute to many other charitable and community services.

Accountability to members

The Institute has two formal channels to report to members on its performance: the Annual Report and the Annual General Meeting. The Council considers the Annual General Meeting one of its most important meetings of the

year and values this opportunity to meet face-to-face with members and answer questions. All senior management of the Institute attend when possible and the event is open to the media. Other events are also held throughout the year to facilitate Council and management communication with members. In particular, the monthly Members’ Forum Series, a new initiative this year, enables the Institute’s leadership and members to have an open and direct dialogue on the development of the Sixth Long Range Plan.

The second formal channel is the Annual Report and Summary Financial Statements, which are either mailed or emailed to all members. Other channels include a weekly e-circular, the President’s message in *A Plus* and regular updates to members from the Chief Executive and Registrar.

Governance structure

Council

Sets overall strategy and direction

Advisory committees



Monitoring committees



Council



Elected members

1. Susanna Chiu (*President*)
2. Clement Chan (*Vice President*)
3. Mabel M.B. Chan (*Vice President*)
4. Keith Pogson (*Immediate Past President*)
5. Raymond Cheng
6. Cheung Wing Han, Ivy
7. Cho Lung Pui Lan, Stella
8. Dennis Ho Chiu Ping
9. Ronald Kung
10. Lam Chi Yuen, Nelson
11. Stephen Law
12. Doug Oxley
13. Eric Tong

Appointed member

14. Kim Man Wong

Government-appointed lay members

15. Melissa Brown
16. Andrew Fung
17. Edith Shih
18. Tam Wing-pong

Co-opted members

19. Jennifer H.Y. Cheung
20. Sun Kwai Yu, Vivian

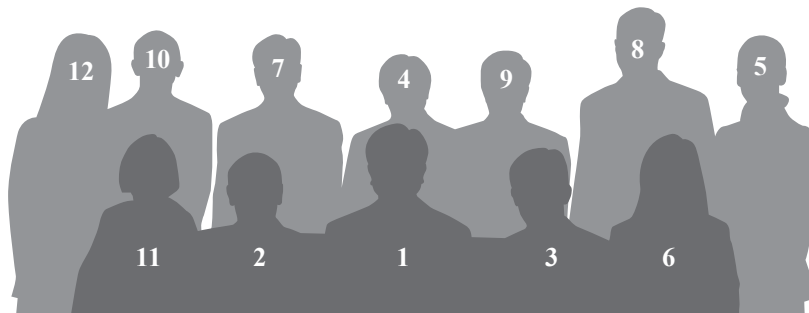
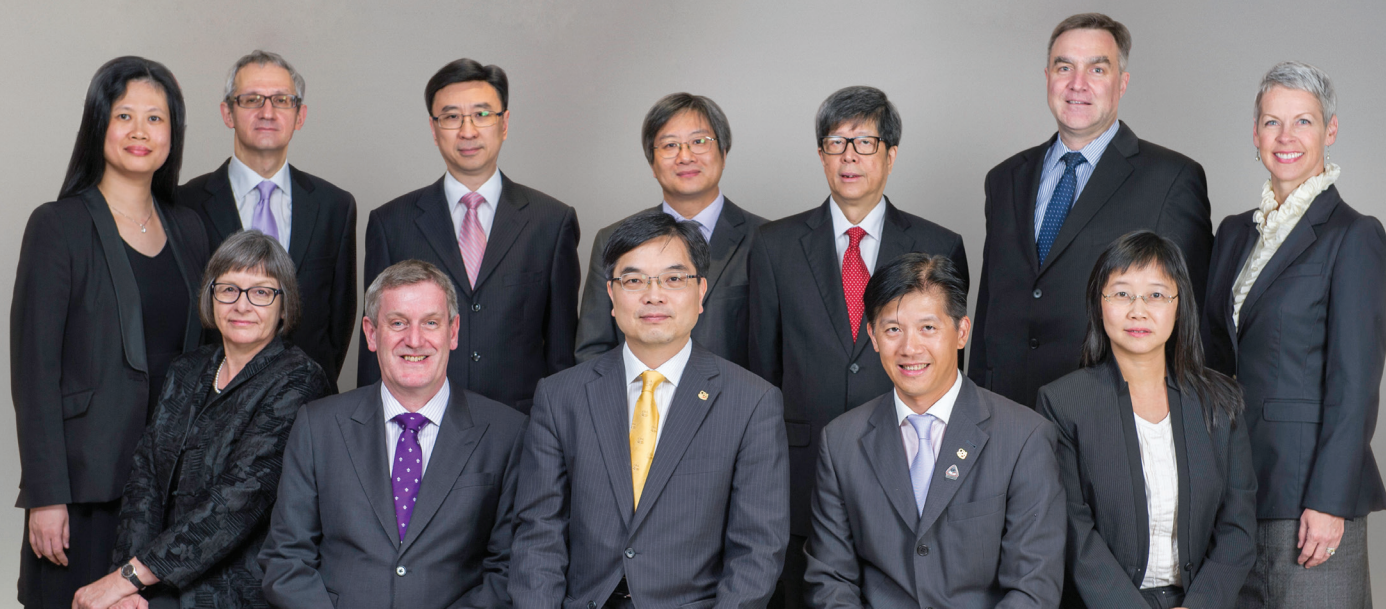
Ex-officio members

21. Ada Chung (*Representative of the Financial Secretary, Government of the HKSAR*)
22. Lesley Y.C. Wong (*Director of Accounting Services, Government of the HKSAR*)

Chief Executive and Registrar

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

Management Team



Chief Executive and Registrar

1. Ding Wai Chuen, Raphael

Executive Directors

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

General Counsel

4. Donald Leo

Directors

5. Linda Biek (*Compliance*)
6. Elsa Ho (*Quality Assurance*)
7. Perry Pang (*Finance and Operations*)
8. Simon Riley (*Standard Setting*)
9. Patrick Tam (*Member and Corporate Services*)
10. Peter Tisman (*Specialist Practices*)
11. Alison Wilde (*Professional Development*)
12. Tracy Wong (*Admission*)

Committees and Working Groups

Statutory boards and committees

Disciplinary Panels
Investigation Panels
Practice Review Committee
Qualification and Examinations Board
Registration and Practising Committee

Non-statutory boards and committees

Audit Committee
Auditing and Assurance Standards Committee
Corporate Finance Committee
Ethics Committee
Financial Reporting Standards Committee
Governance Committee
HKIAAT Board
Insolvency SD Vetting Committee
Member Services Accountability Board
Nomination Committee
Professional Conduct Committee
Professional Qualifications Accountability Board
Regulatory Accountability Board
Remuneration Committee
Restructuring and Insolvency Faculty Executive Committee
Standards and Quality Accountability Board
Tax Specialization Development Committee
Taxation Faculty Executive Committee

Panels and working groups

25.35 Young Members Leadership Panel
40th Anniversary Task Force
Audit Profession Reform Advisory Group
Audit Profession Reform Working Group
Banking Regulatory Liaison Group
Continuing Professional Development Advisory Panel
Editorial Advisory Group
HKICPA Development in China Advisory Group
Insurance Regulatory Liaison Group
Professional Accountants in Business Leadership Panel
Professional Standards Monitoring Expert Panel
Securities and Investment Funds Regulatory Liaison Group
Small and Medium Practitioners Leadership Panel
Sustainability and Integrated Reporting Advisory Group

Chairmen and convenors

Russell Coleman
Chow Ka Ming, Anderson
Mabel M.B. Chan
Richard K.P. Tse
Wilson Fung

Chairmen and convenors

Wong Tak Wai, Alvin
Dennis Ho Chiu Ping
Stephen Law
Alden Leung
Clement Chan
Edward K.F. Chow
Cho Lung Pui Lan, Stella
Nicholas P. Etches
Ronald Kung
Susanna Chiu
Jack S.L. Chow
Tsai Wing Chung, Philip
Tam Wing-pong
Andrew Fung
Bruno Arboit
Roger Best
Tim T.L. Lui
Chan Yuen Fan, Florence

Chairmen and convenors

Gary Poon Tsun Wah
Susanna Chiu
Charles Lee
Clement Chan
Peter Po-ting Li
Elizabeth Law
Daniel Lin
Tsai Wing Chung, Philip
Kieren Cummings
Kim Man Wong
–
Marie-Anne Kong/Liu Yun Bonn
Raymond Cheng
Peter H.Y. Wong

Presidents

1973	Gordon Macwhinnie	1994	Eric Li
1974	Gordon Macwhinnie	1995	Nicholas Etches
1975	Peter Poon	1996	Brian Stevenson
1976	Peter Poon	1997	Tim Lui
1977	Leslie Gordon	1998	Aloysius Tse
1978	Richard Sheldon	1999	P.M. Kam
1979	Samuel Wong	2000	P.M. Kam
1980	Denys Connolly	2001	Andy Lee
1981	John Chan	2002	Alvin Wong
1982	Thomas Clydesdale	2003	David Sun
1983	Denis Evans	2004	Roger Best
1984	Peter Wong	2005	Edward Chow
1985	Peter Wong	2006	Paul Chan
1986	Joseph Lai	2007	Mark Fong
1987	Robert Gaff	2008	Albert Au
1988	David Gairns	2009	Paul Winkelmann
1989	Anthony Yung	2010	Wilson Fung
1990	Marvin Cheung	2011	Philip Tsai
1991	Selwyn Mar	2012	Keith Pogson
1992	Felix Chow	2013	Susanna Chiu
1993	Dudley Harding		

Registrars / Chief Executives

1973	Henry Yuen	2000	Lee Kai-fat
1977	Joseph Fok	2004	Winnie Cheung
1980	Louis Wong	2012	Raphael Ding

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 38 to 67, 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 2013, 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 2013, 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

24 September 2013

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2013

	<i>Note</i>	Group		Institute	
		2013	2012	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets					
Fixed assets	4	189,917	199,561	189,592	199,189
Interests in subsidiaries	5	-	-	-	-
Deferred tax assets	6	-	-	-	-
		189,917	199,561	189,592	199,189
Current assets					
Inventories		1,073	993	1,068	984
Receivables	7	2,401	1,580	3,303	3,272
Deposits and prepayments		4,803	5,381	4,569	5,178
Tax recoverable		-	12	-	12
Time deposits with original maturities over three months		71,271	-	49,327	-
Cash and cash equivalents	8	175,242	208,658	153,216	161,178
		254,790	216,624	211,483	170,624
Current liabilities					
Subscriptions and fees received in advance	9	(67,269)	(62,892)	(64,514)	(60,198)
Payables and accruals	10	(44,422)	(34,663)	(41,771)	(32,173)
Current tax liabilities		(929)	-	(929)	-
		(112,620)	(97,555)	(107,214)	(92,371)
Net current assets		142,170	119,069	104,269	78,253
Non-current liabilities					
Deferred tax liabilities	6	-	-	-	-
		332,087	318,630	293,861	277,442
Funds and reserve					
General fund		189,268	187,250	156,943	151,956
Capital fund	11	142,928	131,496	136,918	125,486
Exchange reserve		(109)	(116)	-	-
		332,087	318,630	293,861	277,442

Approved by the Council on 24 September 2013

Susanna Chiu
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2013

	<i>Note</i>	Group		Institute	
		2013	2012	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscriptions and fees	12	130,207	122,414	127,105	118,762
Other revenue	13	96,057	90,701	90,290	84,442
Total revenue		226,264	213,115	217,395	203,204
Other income	14	14,220	14,446	15,921	16,039
Expenses	15	(237,518)	(239,274)	(227,400)	(227,708)
Surplus/(Deficit) before tax	16	2,966	(11,713)	5,916	(8,465)
Income tax (charge)/credit	17	(948)	210	(929)	323
Surplus/(Deficit)		2,018	(11,503)	4,987	(8,142)
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange gain on translating the financial statements of HKICPA Beijing		7	1	-	-
Comprehensive income		2,025	(11,502)	4,987	(8,142)

Approved by the Council on 24 September 2013

Susanna Chiu
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2013

	2013						
	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	187,250	131,496	(116)	318,630	151,956	125,486	277,442
Surplus	2,018	-	-	2,018	4,987	-	4,987
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	2,018	-	7	2,025	4,987	-	4,987
Capital levy from members and students	-	11,432	-	11,432	-	11,432	11,432
At the end of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861

	2012						
	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	198,753	120,588	(117)	319,224	160,098	114,578	274,676
Deficit	(11,503)	-	-	(11,503)	(8,142)	-	(8,142)
Other comprehensive income	-	-	1	1	-	-	-
Comprehensive income	(11,503)	-	1	(11,502)	(8,142)	-	(8,142)
Capital levy from members and students	-	10,908	-	10,908	-	10,908	10,908
At the end of the reporting period	187,250	131,496	(116)	318,630	151,956	125,486	277,442

Statements of Cash Flows

For the year ended 30 June 2013

	Group		Institute	
	2013	2012	2013	2012
<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/(Deficit) before tax	2,966	(11,713)	5,916	(8,465)
Adjustments for:				
Allowance for obsolete inventories	132	833	125	833
Depreciation	12,029	11,589	11,800	11,472
Impairment of receivables	-	66	-	66
Loss on disposal of fixed assets	94	-	94	-
Obsolete inventories written off	27	57	27	57
Uncollectible amounts written off	20	92	20	55
Operating cash flows before working capital changes	15,268	924	17,982	4,018
Increase in inventories	(239)	(1,084)	(236)	(1,088)
(Increase)/Decrease in receivables	(841)	825	(51)	397
Decrease/(Increase) in deposits and prepayments	571	(637)	609	(689)
(Increase)/Decrease in time deposits with original maturities over three months	(71,271)	47,803	(49,327)	30,133
Increase in subscriptions and fees received in advance	4,377	2,768	4,316	1,659
Increase/(Decrease) in payables and accruals	9,762	(10,876)	9,598	(10,457)
Cash (utilized in)/generated from operations	(42,373)	39,723	(17,109)	23,973
Net tax (paid)/refunded	(7)	(2,711)	12	(2,697)
Net cash (utilized in)/generated from operating activities	(42,380)	37,012	(17,097)	21,276
Cash flows from investing activities				
Purchase of fixed assets	(2,476)	(3,864)	(2,297)	(3,552)
Cash flows from financing activities				
Capital levy received	11,432	10,908	11,432	10,908
Net (decrease)/increase in cash and cash equivalents	(33,424)	44,056	(7,962)	28,632
Cash and cash equivalents at the beginning of the reporting period	208,658	164,601	161,178	132,546
Exchange difference in respect of cash and cash equivalents	8	1	-	-
Cash and cash equivalents at the end of the reporting period	8 175,242	208,658	153,216	161,178

Notes to the Financial Statements

For the year ended 30 June 2013

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 2012 financial statements. The following HKFRSs issued in prior years, that are not yet effective for the current year but are applicable to the Group, have been early adopted in prior years:

HKAS 19 (2011)	“Employee Benefits”
HKAS 27 (2011)	“Separate Financial Statements”
HKFRS 9	“Financial Instruments”
HKFRS 10	“Consolidated Financial Statements”
HKFRS 12	“Disclosure of Interests in Other Entities”
HKFRS 13	“Fair Value Measurement”
Annual Improvements Project	“Annual Improvements 2009-2011 Cycle”

In addition, Amendments to HKAS 1 (Revised) “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”, which are applicable to the Group and effective for the current year, were also early adopted in last year.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2013

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, the adoption of which has no significant impact on the results and the financial positions. The revised HKFRS issued after 30 June 2013 and up to the date of approval of these financial statements is not early adopted by the Group, and even adopted, 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 entities controlled by the Institute. 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. 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 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 other monetary liabilities. 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:
- 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).
 - 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).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - The entity is controlled or jointly controlled by a person identified in (i).
 - 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).

3. Financial instruments by category

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

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets – measured at amortized cost				
Receivables, net of charges for impairment	2,401	1,580	2,232	1,516
Amounts due from subsidiaries	-	-	1,071	1,756
Time deposits with original maturities over three months	71,271	-	49,327	-
Cash and cash equivalents	175,242	208,658	153,216	161,178
	248,914	210,238	205,846	164,450
Financial liabilities – measured at amortized cost (note 10)				
Payables	9,311	8,440	9,103	8,199
Amounts due to a subsidiary	-	-	50	50
Accruals	13,936	14,336	12,602	12,642
	23,247	22,776	21,755	20,891

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

2013

	Leasehold land held for own use under finance leases <i>HK\$'000</i>	Buildings held for own use <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group					
Net book value at 1 July 2012	153,884	28,123	8,786	8,768	199,561
Additions	-	-	972	1,504	2,476
Disposal	-	-	-	(94)	(94)
Depreciation	(4,398)	(2,163)	(2,363)	(3,105)	(12,029)
Currency translation difference	-	-	(2)	5	3
Net book value at 30 June 2013	149,486	25,960	7,393	7,078	189,917
At cost	184,670	43,255	23,530	28,898	280,353
Accumulated depreciation and impairment	(35,184)	(17,295)	(16,137)	(21,820)	(90,436)
	149,486	25,960	7,393	7,078	189,917
Institute					
Net book value at 1 July 2012	153,884	28,123	8,786	8,396	199,189
Additions	-	-	805	1,492	2,297
Disposal	-	-	-	(94)	(94)
Depreciation	(4,398)	(2,163)	(2,281)	(2,958)	(11,800)
Net book value at 30 June 2013	149,486	25,960	7,310	6,836	189,592
At cost	184,670	43,255	23,084	28,093	279,102
Accumulated depreciation and impairment	(35,184)	(17,295)	(15,774)	(21,257)	(89,510)
	149,486	25,960	7,310	6,836	189,592

2012

	Leasehold land held for own use under finance leases	Buildings held for own use	Leasehold improvements	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group					
Net book value at 1 July 2011	158,282	30,286	10,909	7,809	207,286
Additions	-	-	102	3,762	3,864
Depreciation	(4,398)	(2,163)	(2,225)	(2,803)	(11,589)
Net book value at 30 June 2012	<u>153,884</u>	<u>28,123</u>	<u>8,786</u>	<u>8,768</u>	<u>199,561</u>
At cost	184,670	43,255	22,545	28,003	278,473
Accumulated depreciation and impairment	(30,786)	(15,132)	(13,759)	(19,235)	(78,912)
	<u>153,884</u>	<u>28,123</u>	<u>8,786</u>	<u>8,768</u>	<u>199,561</u>
Institute					
Net book value at 1 July 2011	158,282	30,286	10,909	7,632	207,109
Additions	-	-	102	3,450	3,552
Depreciation	(4,398)	(2,163)	(2,225)	(2,686)	(11,472)
Net book value at 30 June 2012	<u>153,884</u>	<u>28,123</u>	<u>8,786</u>	<u>8,396</u>	<u>199,189</u>
At cost	184,670	43,255	22,279	27,223	277,427
Accumulated depreciation and impairment	(30,786)	(15,132)	(13,493)	(18,827)	(78,238)
	<u>153,884</u>	<u>28,123</u>	<u>8,786</u>	<u>8,396</u>	<u>199,189</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.

5. Interests in subsidiaries

	Institute	
	2013	2012
	HK\$'000	<i>HK\$'000</i>
At cost	300	300
Impairment charges	(300)	(300)
	-	-

Details of the Group'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 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 2011	(1,457)	1,486	-	29	(1,446)	1,410	-	(36)
(Charged)/Credited to surplus or deficit (note 17)	(107)	(82)	160	(29)	(118)	(6)	160	36
At 30 June 2012 and 1 July 2012	(1,564)	1,404	160	-	(1,564)	1,404	160	-
(Charged)/Credited to surplus or deficit (note 17)	255	(95)	(160)	-	266	(106)	(160)	-
At 30 June 2013	(1,309)	1,309	-	-	(1,298)	1,298	-	-

- 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	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated tax depreciation	(15)	(158)	-	-
Other temporary differences	1,819	547	927	-
Tax losses	7,211	9,289	-	4,463
	9,015	9,678	927	4,463

No deferred tax assets are recognized by the Group and the Institute respectively 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 and the Institute can utilize the benefits therefrom. Neither the tax losses nor the temporary differences have expiration dates under current tax legislation.

7. Receivables

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accounts receivable	2,550	1,751	2,344	1,650
Amounts due from subsidiaries	-	-	1,071	1,756
	2,550	1,751	3,415	3,406
Charges for impairment (a)	(149)	(171)	(112)	(134)
	2,401	1,580	3,303	3,272

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At the beginning of the reporting period	171	198	134	161
Impairment of accounts receivable	-	66	-	66
Impaired receivables written off	-	(13)	-	(13)
Recovery of impaired receivables (note 14)	(22)	(80)	(22)	(80)
At the end of the reporting period	149	171	112	134

The individually impaired receivables have been assessed by management who considers that their default in payment is highly possible. 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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Not past due	354	406	321	373
Within 30 days past due	356	290	1,362	2,031
31 to 90 days past due	323	175	252	159
91 to 180 days past due	1,006	270	1,006	270
181 to 270 days past due	139	252	139	252
Over 270 days past due	223	187	223	187
	2,047	1,174	2,982	2,899
	2,401	1,580	3,303	3,272

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 independent parties that either subsequently settle 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 independent 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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bank balances				
- Time deposits with original maturities within three months	145,266	185,998	130,545	150,051
- Savings accounts	7,101	10,947	4,505	4,916
- Current accounts	22,757	11,548	18,074	6,061
Cash on hand	118	165	92	150
	175,242	208,658	153,216	161,178

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Subscription fees received in advance	60,326	55,336	59,174	53,973
Other fees received in advance	6,943	7,556	5,340	6,225
	67,269	62,892	64,514	60,198

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Payables	9,311	8,440	9,103	8,199
Amounts due to a subsidiary	-	-	50	50
Accruals	13,936	14,336	12,602	12,642
Financial liabilities (note 3)	23,247	22,776	21,755	20,891
Employee benefits obligations	21,175	11,887	20,016	11,282
	44,422	34,663	41,771	32,173

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

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

	Group		Institute	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	16,405	15,791	14,975	13,992
Between 31 and 90 days	5,594	5,285	5,583	5,285
Between 91 and 180 days	642	1,100	600	1,014
Between 181 and 270 days	509	600	500	600
Over 270 days	97	-	97	-
	<u>23,247</u>	<u>22,776</u>	<u>21,755</u>	<u>20,891</u>

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Annual subscription fees				
Members	73,085	68,145	73,085	68,145
Practising certificates	20,339	18,859	20,339	18,859
Students	8,582	8,395	7,100	6,645
Firms	10,233	9,790	10,233	9,790
Corporate practices	5,402	4,890	5,402	4,890
Others	1,478	1,294	447	292
First registration fees				
Members	5,561	5,558	5,561	5,558
Practising certificates	832	544	832	544
Students	2,542	2,448	1,964	1,890
Firms	140	122	140	122
Corporate practices	210	149	210	149
Others	186	611	175	269
Other fees				
Advancement to fellowship	260	217	260	217
Assessment for overseas students	1,357	1,392	1,357	1,392
	130,207	122,414	127,105	118,762

13. Other revenue

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Income from examinations	75,294	69,440	70,494	64,199
Income from seminars and courses	17,340	18,268	16,913	17,515
Income from member and student activities	2,553	2,248	2,553	2,248
Accreditation income	870	745	330	480
	96,057	90,701	90,290	84,442

14. Other income

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
FRC special levy (a)	4,631	4,410	4,631	4,410
Events sponsorship	2,388	1,805	2,388	1,805
Disciplinary fines and costs recovery	1,884	956	1,884	956
Interest income	1,472	957	1,210	727
Sales of goods	1,102	2,921	1,004	2,818
Income from advertisements placed in the journals	924	1,028	861	868
Litigation costs recovery (b)	-	710	-	710
Income from hardcopy surcharge	597	587	597	587
Commission from professional indemnity insurance master policy	577	478	577	478
Commission from affinity credit card programme	160	86	160	86
Royalty income	61	89	-	-
Donations	49	34	25	4
Operating lease income	41	102	41	102
Recovery of impaired receivables (note 7a)	22	80	22	80
Service fees from HKIAAT	-	-	2,308	2,308
Miscellaneous	312	203	213	100
	14,220	14,446	15,921	16,039

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 the sum of HK\$4,631,000 (2012: HK\$4,410,000) per annum as the recurrent funding 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\$4,631,000 (2012: HK\$4,410,000) from such member practices and contributed HK\$4,631,000 (2012: HK\$4,410,000) to the FRC (note 16).

b. Litigation costs recovery

During the year ended 30 June 2010, a firm and certain individuals (the “Applicants”), one of whom is a Council member, applied for a judicial review in relation to a report of an Investigation Committee. The case was heard and dismissed by the Court of First Instance with costs awarded to the Institute. The Applicants subsequently filed an appeal to the Court of Appeal and, after dismissed by the Court of Appeal on 1 August 2011, then filed an appeal to the Court of Final Appeal.

On 17 June 2013, the Court of Final Appeal heard and dismissed the appeal and the Applicants have no further right to appeal against the decision.

Legal costs incurred by the Institute during the current year were HK\$1,471,000 (2012: HK\$1,566,000). The Institute will seek to recover from the Applicants such legal costs as appropriate on the basis of the Court of Final Appeal’s judgment. In the previous year, an amount of HK\$710,000 was received from the Applicants for recovery of the legal costs incurred.

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:

2013

	Group			Institute		
	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus/ (Deficit) before tax <i>HK\$'000</i>	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus/ (Deficit) before tax <i>HK\$'000</i>
Members						
Annual subscription fees	107,928	-	107,928	107,928	-	107,928
Admission and registration	8,114	(4,940)	3,174	8,114	(4,940)	3,174
Standards and regulation	6,848	(42,407)	(35,559)	6,848	(42,407)	(35,559)
Professional development and specialization	17,003	(22,503)	(5,500)	17,003	(22,503)	(5,500)
Interest groups and networking activities	2,565	(9,050)	(6,485)	2,565	(8,801)	(6,236)
	<u>142,458</u>	<u>(78,900)</u>	<u>63,558</u>	<u>142,458</u>	<u>(78,651)</u>	<u>63,807</u>
Qualification	<u>83,986</u>	<u>(61,371)</u>	<u>22,615</u>	<u>83,986</u>	<u>(61,072)</u>	<u>22,914</u>
Corporate functions						
Constitution, governance and corporate activities	1,305	(6,797)	(5,492)	1,305	(6,797)	(5,492)
Branding, communication and publications	887	(12,670)	(11,783)	887	(12,670)	(11,783)
Advocacy	-	(2,968)	(2,968)	-	(2,968)	(2,968)
Legal	-	(4,212)	(4,212)	-	(4,212)	(4,212)
China and international relations	290	(8,566)	(8,276)	290	(8,566)	(8,276)
General administration, finance and operations	2,082	(31,624)	(29,542)	4,390	(33,932)	(29,542)
Depreciation and building related expenses	-	(18,532)	(18,532)	-	(18,532)	(18,532)
	<u>4,564</u>	<u>(85,369)</u>	<u>(80,805)</u>	<u>6,872</u>	<u>(87,677)</u>	<u>(80,805)</u>
HKIAAT Group	<u>9,415</u>	<u>(11,644)</u>	<u>(2,229)</u>	-	-	-
HKICPA Charitable Fund	<u>19</u>	<u>(60)</u>	<u>(41)</u>	-	-	-
HKICPA Trust Fund	<u>42</u>	<u>(174)</u>	<u>(132)</u>	-	-	-
Total	<u>240,484</u>	<u>(237,518)</u>	<u>2,966</u>	<u>233,316</u>	<u>(227,400)</u>	<u>5,916</u>

2012

	Group			Institute		
	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus/ (Deficit) before tax <i>HK\$'000</i>	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus/ (Deficit) before tax <i>HK\$'000</i>
Members						
Annual subscription fees	100,555	-	100,555	100,555	-	100,555
Admission and registration	7,446	(4,380)	3,066	7,446	(4,380)	3,066
Standards and regulation	6,252	(33,430)	(27,178)	6,252	(33,430)	(27,178)
Professional development and specialization	15,472	(22,524)	(7,052)	15,472	(22,524)	(7,052)
Interest groups and networking activities	4,111	(9,647)	(5,536)	4,111	(9,739)	(5,628)
	133,836	(69,981)	63,855	133,836	(70,073)	63,763
Qualification	77,291	(63,898)	13,393	77,291	(63,941)	13,350
Corporate functions						
Constitution, governance and corporate activities	1,189	(7,716)	(6,527)	1,189	(7,716)	(6,527)
Branding, communication and publications	894	(16,667)	(15,773)	894	(16,667)	(15,773)
Advocacy	-	(2,697)	(2,697)	-	(2,697)	(2,697)
Legal	-	(4,200)	(4,200)	-	(4,200)	(4,200)
China and international relations	2,066	(8,902)	(6,836)	2,066	(8,902)	(6,836)
General administration, finance and operations	1,659	(33,080)	(31,421)	3,967	(35,388)	(31,421)
Depreciation and building related expenses	-	(18,124)	(18,124)	-	(18,124)	(18,124)
	5,808	(91,386)	(85,578)	8,116	(93,694)	(85,578)
HKIAAT Group	10,596	(13,874)	(3,278)	-	-	-
HKICPA Charitable Fund	26	(89)	(63)	-	-	-
HKICPA Trust Fund	4	(46)	(42)	-	-	-
Total	227,561	(239,274)	(11,713)	219,243	(227,708)	(8,465)

16. Surplus/(Deficit) before tax

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Surplus/(Deficit) before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	122,841	121,758	114,991	113,685
Depreciation	12,029	11,589	11,800	11,472
Contribution to FRC (note 14a)	4,631	4,410	4,631	4,410
Auditor's remuneration	373	444	288	362
Allowance for obsolete inventories	132	833	125	833
Cost of goods sold	747	812	742	802
Donations (a)	15	88	65	75
Exchange gain	(65)	(158)	(12)	(127)
Impairment of receivables	-	66	-	66
Loss on disposal of fixed assets	94	-	94	-
Obsolete inventories written off	27	57	27	57
Operating lease expenses	1,182	903	465	453
Recovery of obsolete inventories written off	(10)	(5)	(10)	(5)
Recovery of impaired receivables (note 7a)	(22)	(80)	(22)	(80)
Uncollectible amounts written off	20	92	20	55

a. During the current year, the Institute donated HK\$50,000 (2012: HK\$50,000) to The HKICPA Charitable Fund.

17. Income tax charge/(credit)

	Group		Institute	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current tax				
<i>Hong Kong Profits Tax:</i>				
Current year	929	-	929	-
Overprovision in prior years, net	-	(11)	-	(11)
	929	(11)	929	(11)
<i>Mainland China income tax:</i>				
Current year	19	45	-	-
Overprovision in prior years, net	-	(273)	-	(276)
	19	(228)	-	(276)
Total current tax charge/(credit)	948	(239)	929	(287)
Deferred tax				
Origination and reversal of temporary differences	(160)	124	(160)	124
Write-down of deferred tax assets	-	65	-	-
Utilization of recognized tax losses	160	-	160	-
Benefits of tax losses recognized	-	(160)	-	(160)
Total deferred tax charge/(credit) (note 6a)	-	29	-	(36)
Total tax charge/(credit)	948	(210)	929	(323)

Hong Kong Profits Tax was provided at 16.5% on the estimated taxable surplus arising in Hong Kong during the current year. The Mainland China income tax has been provided at the statutory rate of 25% (2012: 25%) in accordance with the relevant tax laws in Mainland China during the current year.

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2012 as the Group and the Institute incurred a loss for taxation purposes.

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

	Group		Institute	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus/(Deficit) before tax	2,966	(11,713)	5,916	(8,465)
Tax at the applicable rate of 16.5% (2012: 16.5%)	489	(1,932)	976	(1,396)
Tax effect of different tax rate for a subsidiary in Mainland China	(51)	7	-	-
Tax effect of non-deductible expenses	820	847	736	745
Tax effect of non-assessable income	(277)	(211)	(200)	(120)
Tax effect of unrecognized tax losses	394	1,277	-	736
Tax effect of utilization of tax losses previously not recognized	(736)	-	(736)	-
Tax effect of temporary differences not recognized	274	-	153	-
Overprovision in prior years, net	-	(284)	-	(287)
Write-down of deferred tax assets	-	65	-	-
Others	35	21	-	(1)
Total tax charge/(credit)	948	(210)	929	(323)

18. Employee benefits

	Group		Institute	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, wages, bonuses and allowances	115,511	114,116	108,267	106,710
Provident fund contributions	7,330	7,642	6,724	6,975
	122,841	121,758	114,991	113,685
Number of staff				
At the beginning of the reporting period	225	219	203	195
At the end of the reporting period	208	225	190	203

19. Key management personnel remuneration

	Group and Institute	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chief Executive and Registrar (a)		
Salaries and allowances	3,803	3,473
Performance bonus	672	636
Retirement benefits	15	515
	4,490	4,624

- a. The remuneration charges for the year ended 30 June 2012 were recognized for the services rendered by the immediate past Chief Executive and Registrar who retired on 30 June 2012.

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, expenses of HK\$300,000 (2012: HK\$300,000) were incurred with 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 including venue rental.
- (ii) During the current year, expenses of HK\$1,574,000 (2012: HK\$1,596,000) were incurred with Hong Kong Baptist University ("HKBU"), of which a Council member of the Institute is a council member, for rental of training rooms and courses provided by HKBU.

The amounts outstanding are unsecured and will be settled in cash.

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\$2,657,000 (2012: HK\$2,635,000) to HKICPA Beijing for the promotion of the Institute's qualification programme and the provision of services to members in Mainland China. At 30 June 2013, included in "Receivables" of the Institute is an amount of HK\$231,000 (2012: Nil) due from HKICPA Beijing.

(ii) The HKICPA Charitable Fund

During the current year, the Institute donated HK\$50,000 (2012: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2013, included in "Payables and accruals" of the Institute is an amount of HK\$50,000 (2012: HK\$50,000) due to The HKICPA Charitable Fund.

(iii) HKIAAT

During the current year, the Institute charged service fees of HK\$2,308,000 (2012: HK\$2,308,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$5,455,000 (2012: HK\$6,485,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. In addition, HKIAAT organized the professional bridging examination on behalf of the Institute. Net receipts of HK\$876,000 (2012: HK\$879,000) related to the examination were transferred to the Institute and included in the balance with the Institute. At 30 June 2013, included in "Receivables" of the Institute is an amount of HK\$840,000 (2012: HK\$1,711,000) due from HKIAAT arising from the services provided.

(iv) The HKICPA Trust Fund

At 30 June 2012, included in "Receivables" of the Institute was an amount of HK\$45,000 due from The HKICPA Trust Fund.

21. Financial risk management

Financial instruments mainly consist of receivables, 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	
	2013	2012	2013	2012
	% p.a.	% p.a.	% p.a.	% p.a.
Time deposits	0.68%	0.75%	0.68%	0.65%
Savings accounts	0.01%	0.02%	0.02%	0.03%

The Group's and the Institute's exposure to interest rate fluctuations is mainly limited to interest receivable on its short-term time deposits. 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/(deficit) before tax and funds and reserve.

	Group		Institute	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Time deposits				
- with original maturities within three months	145,266	185,998	130,545	150,051
- with original maturities over three months	71,271	-	49,327	-
	<u>216,537</u>	<u>185,998</u>	<u>179,872</u>	<u>150,051</u>
Impact of interest rate deviation				
Change in interest rate by 0.25% (2012: 0.25%)				
- Change in surplus/(deficit) before tax and funds and reserve	<u>541</u>	<u>465</u>	<u>450</u>	<u>375</u>

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 Group and the Institute are not exposed to any material foreign currency risk as the majority of the transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies.

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 increase 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 2013 and 2012. The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within one year	878	381	235	269
Between one and five years	59	21	18	21
	937	402	253	290

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of computer equipment contracted but not provided for in the financial statements	1,645	232	1,645	232

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 69 to 76, which comprise the statement of financial position at 30 June 2013, 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 2013, 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

24 September 2013

Yip Ngai Shing
Practising Certificate number: P05163

Statement of Financial Position

At 30 June 2013

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Current assets			
Other receivables	4	2,815	174
Cash and cash equivalents	5	<u>4,055,556</u>	<u>4,234,592</u>
		<u>4,058,371</u>	<u>4,234,766</u>
Current liability			
Amount due to the Institute	6	<u>-</u>	<u>44,850</u>
Net assets		<u>4,058,371</u>	<u>4,189,916</u>
Accumulated funds		<u>4,058,371</u>	<u>4,189,916</u>

Approved by the Trustees on 24 September 2013

Susanna Chiu
Trustee

Keith Pogson
Trustee

Clement Chan
Trustee

Wong Hong Yuen
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2013

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Revenue			
Donations from third parties		6,113	4,000
Interest income		36,101	257
		<u>42,214</u>	<u>4,257</u>
Expenses			
Grants to members	7	(167,076)	(44,850)
Legal and professional fee		(5,113)	-
Bank charges		(1,570)	(1,085)
		<u>(173,759)</u>	<u>(45,935)</u>
Deficit		(131,545)	(41,678)
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income		<u>(131,545)</u>	<u>(41,678)</u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2013

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Accumulated funds		
At the beginning of the reporting period	<u>4,189,916</u>	<u>4,231,594</u>
Deficit	(131,545)	(41,678)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>(131,545)</u>	<u>(41,678)</u>
At the end of the reporting period	<u><u>4,058,371</u></u>	<u><u>4,189,916</u></u>

Statement of Cash Flows

For the year ended 30 June 2013

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
	<i>Note</i>	
Cash flows from operating activities		
Deficit	(131,545)	(41,678)
Increase in other receivables	(2,641)	(174)
(Decrease)/Increase in amount due to the Institute	<u>(44,850)</u>	<u>44,850</u>
Net cash (utilized in)/generated from operating activities and (decrease)/increase in cash and cash equivalents	(179,036)	2,998
Cash and cash equivalents at the beginning of the reporting period	<u>4,234,592</u>	<u>4,231,594</u>
Cash and cash equivalents at the end of the reporting period	5 <u><u>4,055,556</u></u>	<u><u>4,234,592</u></u>

Notes to the Financial Statements

For the year ended 30 June 2013

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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements. The following HKFRSs issued in prior years, that are not yet effective for the current year but are applicable to the Trust Fund, have been early adopted in prior years:

HKFRS 9	“Financial Instruments”
HKFRS 13	“Fair Value Measurement”

In addition, Amendments to HKAS 1 (Revised) “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”, which are applicable to the Trust Fund and effective for the current year, were also early adopted in last year.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2013

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, the adoption of which has no significant impact on the result and the financial position. The revised HKFRS issued after 30 June 2013 and up to the date of approval of these financial statements is not early adopted by the Trust Fund, and even adopted, has no significant impact on the result and the financial position.

c. Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the Trust Fund 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 Trust Fund's financial assets, including other receivables 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.

Financial liabilities include the amount due to the Institute which is subsequently measured at amortized cost using the effective interest method.

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 and financial liabilities

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.

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

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).

3. Financial instruments by category

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

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Financial assets – measured at amortized cost		
Other receivables	2,815	174
Cash and cash equivalents	4,055,556	4,234,592
	<u>4,058,371</u>	<u>4,234,766</u>
Financial liability – measured at amortized cost		
Amount due to the Institute	<u>-</u>	<u>44,850</u>

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

4. Other receivables

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Short term loan to a member of the Institute	37,170	37,170
Interest receivable	2,815	174
	39,985	37,344
Impairment charge on loan to a member of the Institute	(37,170)	(37,170)
	2,815	174

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

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
At the beginning and end of the reporting period	37,170	37,170

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. Cash and cash equivalents

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Time deposit with original maturity within three months	4,033,436	3,000,000
- Savings account	13,679	1,228,555
- Current account	8,441	6,037
	4,055,556	4,234,592

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposit is mainly made for three-month periods depending on the immediate cash requirement of the Trust Fund and earns interest at the prevailing short-term deposit rates.

6. Amount due to the Institute

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

7. Grants to members

During the current year, grants totaling HK\$167,076 (2012: HK\$44,850) were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

Financial instruments consist of cash and cash equivalents, other receivables and amount due to the Institute. The liquidity risk is disclosed in note 6 to the financial statements. The Trust Fund is exposed to other 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 Trust Fund's exposure to interest rate fluctuations is mainly limited to interest receivable on its short-term time deposit. 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.

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 78 to 84, which comprise the statement of financial position at 30 June 2013, 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 2013, and of its surplus 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

24 September 2013

Yip Ngai Shing
Practising Certificate number: P05163

Statement of Financial Position

At 30 June 2013

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Current assets			
Amount due from the Institute	4	50,000	50,125
Cash and cash equivalents	5	<u>1,393,957</u>	<u>1,385,578</u>
Net assets		<u><u>1,443,957</u></u>	<u><u>1,435,703</u></u>
Accumulated funds		<u><u>1,443,957</u></u>	<u><u>1,435,703</u></u>

Approved by the Trustees on 24 September 2013

Susanna Chiu
Trustee

Keith Pogson
Trustee

Ding Wai Chuen, Raphael
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2013

	<i>Note</i>	2013 HK\$	2012 <i>HK\$</i>
Revenue			
Donations	6	67,960	74,625
Interest income		394	383
		<u>68,354</u>	<u>75,008</u>
Expenses			
Charitable donations	7	-	(62,500)
Sponsorship		(59,200)	(25,000)
Bank charges		(900)	(1,070)
		<u>(60,100)</u>	<u>(88,570)</u>
Surplus/(Deficit)		8,254	(13,562)
Other comprehensive income		-	-
Comprehensive income		<u>8,254</u>	<u>(13,562)</u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2013

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Accumulated funds		
At the beginning of the reporting period	<u>1,435,703</u>	<u>1,449,265</u>
Surplus/(Deficit)	8,254	(13,562)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>8,254</u>	<u>(13,562)</u>
At the end of the reporting period	<u><u>1,443,957</u></u>	<u><u>1,435,703</u></u>

Statement of Cash Flows

For the year ended 30 June 2013

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
	<i>Note</i>	
Cash flows from operating activities		
Surplus/(Deficit)	8,254	(13,562)
Decrease in amount due from the Institute	<u>125</u>	<u>504,275</u>
Net cash generated from operating activities and net increase in cash and cash equivalents	8,379	490,713
Cash and cash equivalents at the beginning of the reporting period	<u>1,385,578</u>	<u>894,865</u>
Cash and cash equivalents at the end of the reporting period	<u><u>1,393,957</u></u>	<u><u>1,385,578</u></u>

Notes to the Financial Statements

For the year ended 30 June 2013

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.

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 Charitable 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.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements. The following HKFRSs issued in prior years, that are not yet effective for the current year but are applicable to the Charitable Fund, have been early adopted in prior years:

HKFRS 9	“Financial Instruments”
HKFRS 13	“Fair Value Measurement”

In addition, Amendments to HKAS 1 (Revised) “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income”, which are applicable to the Charitable Fund and effective for the current year, were also early adopted in last year.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2013

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, the adoption of which has no significant impact on the result and the financial position. The revised HKFRS issued after 30 June 2013 and up to the date of approval of these financial statements is not early adopted by the Charitable Fund, and even adopted, 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).

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:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Amount due from the Institute	50,000	50,125
Cash and cash equivalents	<u>1,393,957</u>	<u>1,385,578</u>
	<u>1,443,957</u>	<u>1,435,703</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

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Bank balances		
- Savings accounts	1,357,241	1,358,032
- Current accounts	<u>36,716</u>	<u>27,546</u>
	<u>1,393,957</u>	<u>1,385,578</u>

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

6. Donations

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Donation from the Institute	50,000	50,000
Other parties	<u>17,960</u>	<u>24,625</u>
	<u>67,960</u>	<u>74,625</u>

7. Charitable donations

	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Caritas Hong Kong	-	7,300
Hong Kong Red Cross	-	50,000
Medecins Sans Frontieres	-	5,200
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
	-	62,500

During the year, no charitable donation was made by the Charitable Fund. The Charitable Fund did not receive specific request and has not identified any specific cause to raise fund in support of emergency relief programmes.

8. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2012: HK\$50,000) from the Institute. At 30 June 2013, the amount due from the Institute is HK\$50,000 (2012: HK\$50,125) which has been settled after the end of the reporting period.

9. 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.

10. 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.

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Established in 1973, the Institute is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has about 36,000 members and 16,000 students as of June 2013. Members of the Institute are entitled to the description Certified Public Accountant and to the designation CPA.



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

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