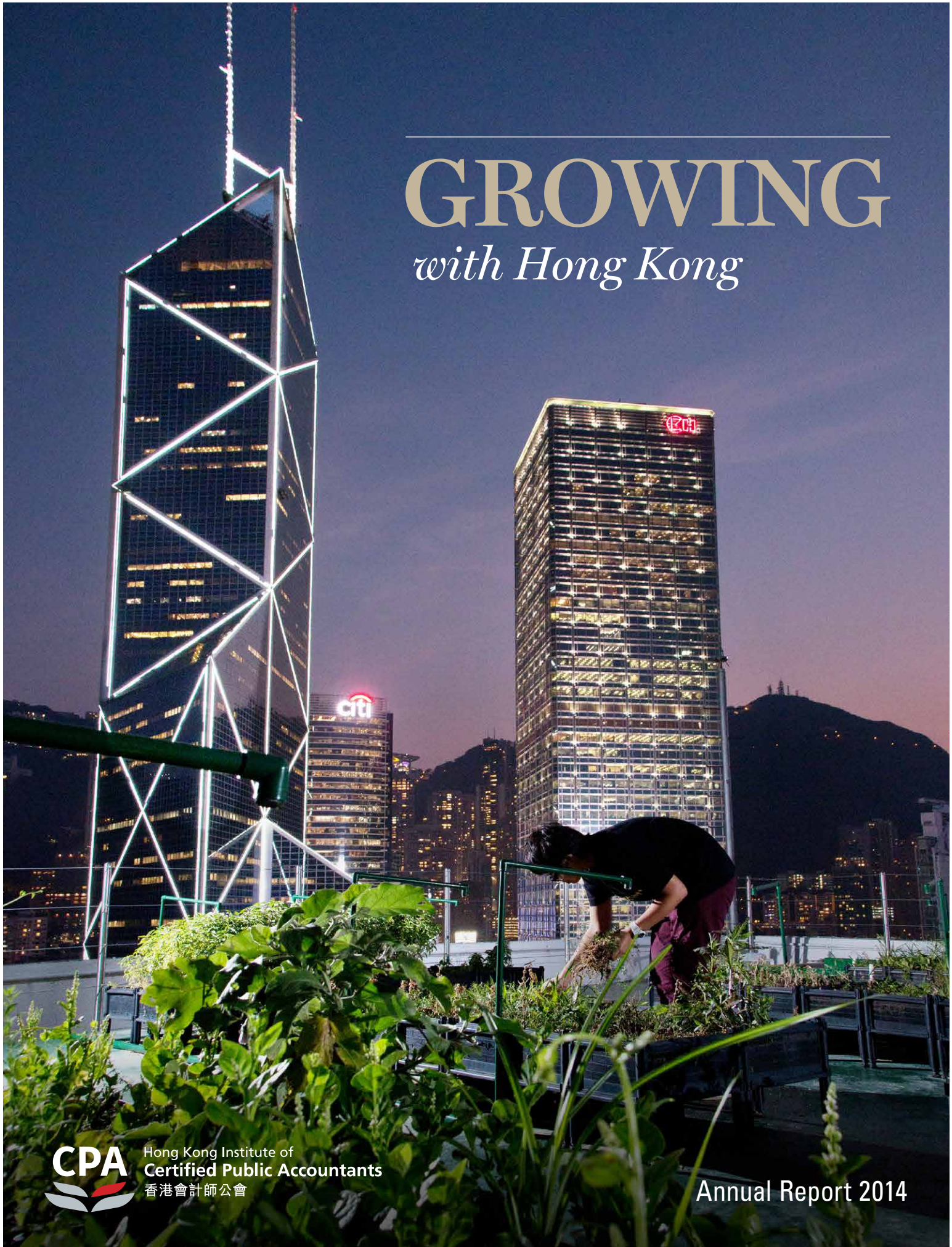


# GROWING

*with Hong Kong*



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

Annual Report 2014

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## On the cover

Peggie Ho of Time to Grow tends a roof garden on the Bank of America Tower in Central. The group is dedicated to urban farming in Hong Kong, aiming to turn unused spaces into sustainable (and edible) landscapes, and encouraging conscious lifestyle choices that take into account of relationship with the environment and the community.

# Foreword

More than just a bustling international financial centre, Hong Kong is also a city blessed with areas of great scenic beauty – outlying islands, waters, country parks, peaks and wildlife – a surprise to many visitors.

The theme of the Institute’s annual report this year is sustainability, a topic of growing interest to governments, companies and investors. As guardians of the territory’s financial system, the profession is committed to growing with Hong Kong by ensuring sustainable development that balances economic progress and livability.

The photo essay on the following pages illustrates how different people are dedicating their time and wisdom to make the city more sustainable, while short stories explain our diverse membership’s connection to the pursuit of a sustainable future for Hong Kong and even the world.

Last but not least, our first corporate social responsibility report, which is written based on the Hong Kong stock exchange’s guidelines, goes into the efforts of the Institute in this area.



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Message from  
the President and  
the Chief Executive  
and Registrar





Past Presidents



楊士德



伊登士



羅華

Clement Chan  
President

Raphael Ding  
Chief Executive and  
Registrar



“The Institute must always keep a careful eye on how the profession is regulated in order to preserve our strength and remain in line with international benchmarks.”

Dear members,

While Hong Kong’s growth has slowed in recent quarters, and China continues to carefully reposition its economy from an export orientation to domestic consumption amid an uncertain international financial and trade environment, the accounting profession in Hong Kong continues to display strength and resilience.

The Hong Kong Institute of CPAs is steadfastly adhering to its vision of being an internationally recognized, world-class, top quality professional body that serves both the business community and the wider public interest in Hong Kong and contributes to its sustainable development as a leading financial centre.

It is especially important amid the current global environment that the Institute meets its goals to contribute to and influence the future of the profession worldwide.

As a statutory and key professional membership organization, the Institute provides clear, decisive and innovative leadership to a financially and business-attuned accounting profession.

During the year, the Institute faced a number of challenges and achieved much progress through championing thought leadership and upholding core ethical values, the public spirit of accounting and the integrity of the profession.

### Launching major reform

As the Hong Kong regulatory and practising environment evolves to meet international expectations and best practices, the Institute must work closely with the government and regulators to ensure the new audit regulatory regime is appropriate for Hong Kong.

The Institute must always keep a careful eye on how the profession is regulated in order to preserve our strength and

remain in line with international benchmarks to maintain Hong Kong’s premier position as a listing destination.

To meet these standards, the Institute, the Hong Kong government and the Financial Reporting Council agreed that there should be an independent body to exercise oversight over or assume direct responsibility for certain audit regulatory functions.

The Institute began its work on audit reform in 2008 and developed proposals to submit to the government. That process culminated in 2013 with the release by the Institute of an information paper, and a request for members to comment, on the Regulatory Framework for Listed Company Audits jointly developed by the government, the Financial Reporting Council and the Institute.

The resulting member consultation indicated strong support for the Council’s position on the proposed reform. However, members indicated a general concern over the lack of detail in some of the framework proposals resulting in questions on the powers and functions of the independent oversight body and how such powers would be exercised fairly and through due process.

The government launched its public consultation in June 2014 and took up many of the comments arising from our member consultation. Still, there are certain questions to be addressed, including the independence of disciplinary processes, the penalty level, and the governance and funding of the independent body. The Institute will continue to work with the government and stakeholders to ensure fair debate is encouraged on outstanding issues.

### Upholding quality

We ensure that our Qualification Programme remains globally recognized and continues to provide the skills, expertise and ethics training needed by our prospective members, who will be

“We represent Hong Kong’s interests in many regional and global organizations, such as the International Federation of Accountants and the Global Accounting Alliance.”



charged with a critical role to maintain Hong Kong’s status as an international financial centre.

Today’s accountants need highly tuned skills and, to support this, we are conducting a review of the QP qualifying process and revamping the programme’s content and structure to ensure that the accountants we train have the skill-set to meet the demands of employers and the global market.

The Institute believes that an accountant’s learning is lifelong, and we are committed to providing the best education to hone their skills, broaden their expertise and develop their specializations. We are working on a financial controllership programme to support members who wish to become professional accountants in business. We will also continue to strengthen our specialist qualifications in insolvency and specialist training in taxation.

### Global influence

The Institute, as the standard setting body, strives to enhance public trust and confidence in the profession by fully converging with international accounting, auditing and ethics standards since 2005. We help our members adhere to high-quality standards and oversee their professional conduct.

The commitment to use international standards and benchmarks underscores the Institute’s role in assuring the quality of service provided by professional accountants.

We represent Hong Kong’s interests in many regional and global organizations, such as the International Federation of Accountants and the Global Accounting Alliance. We play an influential role at the Asian-Oceania Standard-Setters Group, taking up the chairmanship for two years from November 2013. As chair, the Institute represents the group on the IASB Accounting Standards Advisory Forum, further deepening our dialogue with the International Accounting Standards Board.

We also addressed important issues such as reporting of non-compliance with laws and regulations to the International Ethics Standards Board for Accountants.

In the Mainland, the Institute maintains dialogue with its counterparts in accordance with the joint declarations to ensure ongoing convergence of Chinese and Hong Kong standards. This work is of great importance as it emphasizes the special role the Institute can play in facilitating the Mainland’s continuing engagement with the international accounting community.

### Fostering Mainland ties

Our presence in China and international forums enhances Hong Kong’s unique role in serving and globally connecting the Greater China market. The Institute has established a special advisory group to develop consistent and effective promotion of the Hong Kong CPA brand across the boundary.

Our interactivity with the Mainland includes networking events; meetings with national, provincial and municipal government and professional organizations; business trips and visits; trade and industry fairs; and seminars throughout the year to help our members – whether professional accountants in business or small- and medium-sized practitioners – to establish, grow and enhance their business.

The signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement in 2003 and subsequent supplements have not only resulted in examination paper exemptions for QP graduates seeking Chinese Institute of CPAs admission, but have also opened up talks with the Mainland on mutual recognition and market access for Hong Kong accountants in China.

The Institute was able to obtain clarification of a Ministry of Finance exposure draft that had caused concern over possible



“Through engagement with the media at home and abroad, the Institute demonstrates its members’ diversity of skills, competence and values, ethics and integrity, international status and influence, and special relationship with the Mainland.”

restrictions on the provision of audit services by our members to Mainland entities listed in Hong Kong.

At a meeting with the Institute, the ministry reaffirmed its commitment to the continuous opening up of the Mainland market to Hong Kong under CEPA and made it clear that the exposure draft’s primary objective was to strengthen regulation over illegal cross-border audit activities in the Mainland.

Another important subject that we expect to resolve through dialogue with the ministry is the matter of access to audit working papers in the Mainland. We would like to thank the Supervision and Inspection Bureau of the Ministry of Finance for inspection work that has been done on our behalf.

### Helping members succeed

The Institute’s ideas, products and services must serve the needs of our members and support the development of their professional careers.

Despite the rapidly changing regulatory environment, members are able to stay up to date through our supporting initiatives, including seminars, technical guidance notes and website resources. Information about major developments that have substantial impact on the accounting profession, such as Hong Kong’s new Companies Ordinance, is communicated and explained in a timely, effective way.

As a membership organization, the Institute fully engages with members to create a strong sense of professional pride, loyalty and inclusiveness in many ways. In addition to professional and technical support, the Institute facilitates various leisure groups formed under the Sports and Recreation Club. Enthusiasm, good health and a strong sense of work-life balance help create well-rounded professionals. Total membership of the club’s interest groups is now over 4,000.

### Engaging stakeholders

The importance and relevance of the Institute’s statutory roles, mission, values and brand must be effectively communicated to members, partners, other professional organizations, governmental and regulatory bodies, the broader business community and the public in general.

The past year has seen a number of issues related to the accounting profession attracting mainstream attention, such as audit regulation reform, the Ministry of Finance exposure draft and the new Companies Ordinance.

Such news events are opportunities for the Institute to explain the position of the profession in the wider context of its role in protecting the public interest and contributing to Hong Kong’s status as an important international financial centre.

We also offer expertise and insight to the media in addressing crucial and complicated financial and business topics. The Institute’s leadership, Council and expert committee members were sought for comment on major issues such as the Hong Kong budget.

Through engagement with the media at home and abroad, the Institute demonstrates its members’ diversity of skills, competence and values, ethics and integrity, international status and influence, and special relationship with the Mainland.

The award-winning monthly magazine *A Plus* is the Institute’s flagship publication, which examines accounting, finance and business in Hong Kong, China and the world, through the eyes of the Institute and its members. It encompasses news and features, as well as lighter reading reflecting the interests and enthusiasms of our members, whether they are in public practice, business or government, newly graduated or considering retirement.

“The Institute has strengthened its financial position in order to continue to provide members with a high level of service, to sustain important programmes that we have developed, and to provide funding to address future issues.”

Another initiative is our cooperation with *Xinlicai*, a magazine for finance professionals published in the Mainland under the auspices of the Ministry of Finance. It reproduces the popular Success Ingredient profile interviews of our members published in *A Plus*. With its wide distribution network among top executives and government officials, we are able to explain the strength and attributes of our CPAs and how they are able to contribute to the economic progress of the Mainland.

### Making a difference

Our devotion to integrity, ethics and public trust has led to our pursuit of activities to benefit the wider community.

Members continue to bring the particular skills of the accounting profession, in a non-partisan and independent way, to relevant areas of public policy debate through active participation in consultations conducted by the government, regulators and international bodies.

We have made submissions on important topics such as bankruptcy, tax, trade, anti-money laundering and financial reporting. Our commitment to furthering the public interest is manifested in such endeavours as the annual Best Corporate Governance Disclosure Awards and the publication of a new guide to better corporate governance.

This year, we are introducing a corporate social responsibility element to our annual report for the first time, to set out what the Institute’s management has been doing to enhance workplace quality, environmental protection, operating practices and community involvement.

The Institute’s commitment to society runs long and deep and we are still innovating. The “CPAs for NGOs” programme, launched last year, is now up and running and will benefit many smaller NGOs that lack the resources and skills needed to sustain sound governance and financial management.

### Our finances

The Institute has strengthened its financial position in order to continue to provide members with a high level of service, to sustain important programmes that we have developed, and to provide funding to address future issues.

This reporting year, the group recorded a HK\$21 million surplus after tax, stemming from a natural membership increase, the recovery of disciplinary costs, and reduced expenditure as a result of streamlining our operations. The result is a leaner, more efficient Institute that is better placed to provide stronger member service.

Our net current assets cover about 10 months of operating costs. The Institute will continue to implement prudent stewardship of members’ funds to further enhance the QP qualifying process, provide relevant and innovative thought leadership, and fund programmes that extend the profession’s international influence.

We are committed to maintaining our high standard of financial management to meet the foreseeable needs of the future.

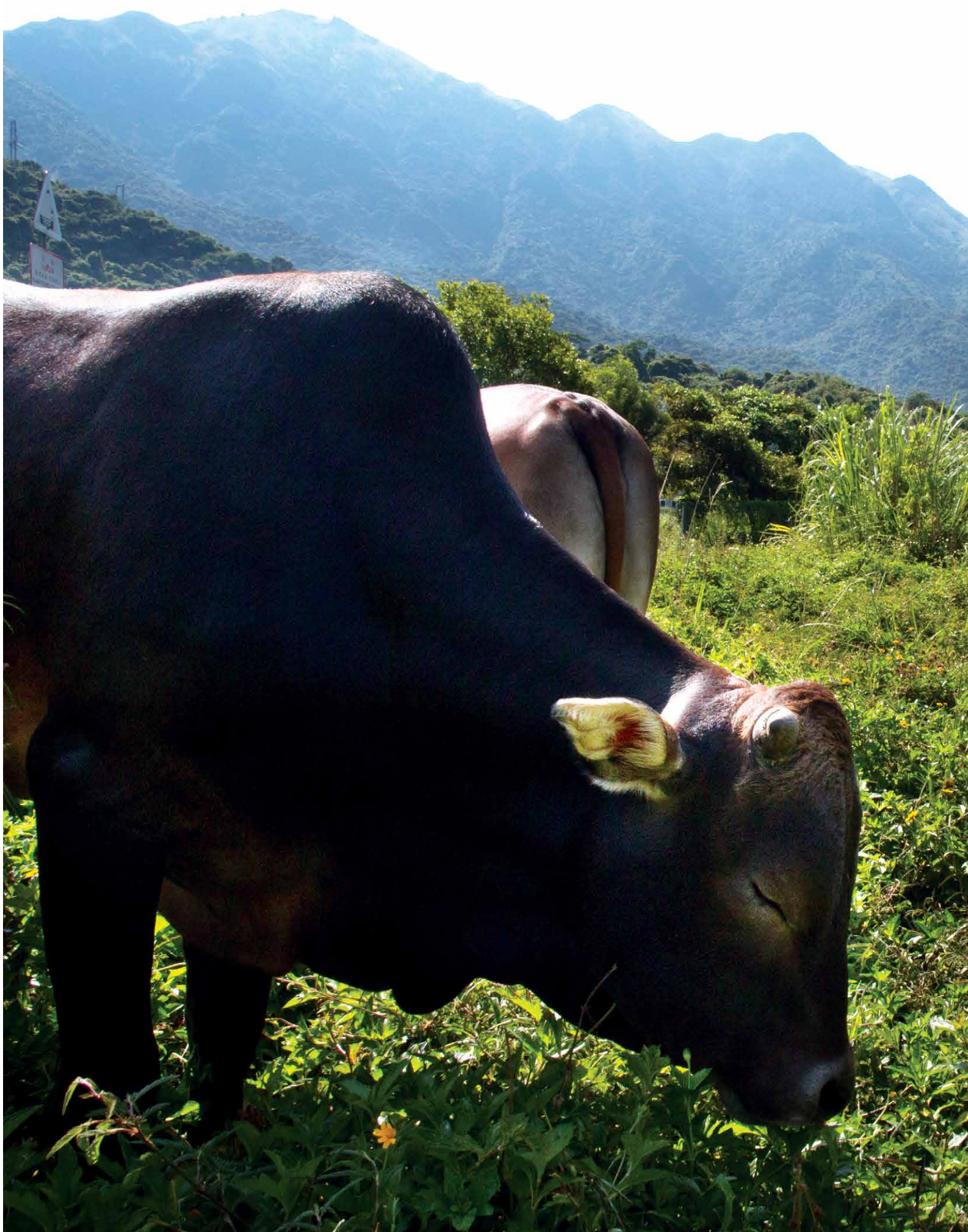
All in all, this has been an eventful year. We would like to take this opportunity to thank the many members who have volunteered their time, energy and expertise for the betterment of the profession, and extend our sincere appreciation to the two Vice Presidents, Council and committee members, and the staff for their tireless efforts in contributing towards the achievement of the Institute’s objectives on behalf of its members.

Sincere regards,

**Clement Chan**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar









## Growing organic

*The benefits of organic farming are many: healthy and nutritious food free of harmful chemicals, and cleaner air, soil, water and land for sustainable development. The Dragontail Farm, a community group based in Mui Wo, endeavours to set an example of how to live more ethically and sustainably by promoting organic farming. Behind every healthy organization is a robust system of governance and constitution – an area the Institute has been focusing on and striving to act as a role model in for the profession and beyond.*

In a field on Lantau, Don Latter and Margaret Lo of Dragontail Farm collect cow manure, which is a good fertilizer for farming.



# The Ethical Imperative

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

We continue to strengthen our governance by scrutinizing internal controls, using technology to enhance 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 Council

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

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

The combination of members from within and outside the accounting profession gives the Council a balanced perspective to debate about the issues it faces. The Council applies strict rules to prohibit its members and other committee members from taking part in any discussions or decisions on matters in which they have a real or apparent conflict of interest. Council members are prohibited from disclosing any matter coming to their knowledge in the performance of their function as Council members.

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

## Monitoring committees

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

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

This year, the composition of the Audit Committee has been changed to clarify that the involvement of one current lay Council member should be as an independent member who represents views from a public perspective, and to include one current elected Council member to provide up-to-date knowledge of the Institute's operations and overall strategies.

The Audit Committee has contributed its valuable input and guidance in developing a whistle-blowing policy for the Institute to further strengthen its corporate governance.

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

## Advisory committees

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

During the reporting period, the **Governance Committee** continued to develop and review existing policies, rules and

processes governing the Institute, including Council meetings, Council elections, election of the president and vice presidents, co-option of Council members, committee appointments and the role of the Institute in public elections. The committee makes recommendations to the Council with a view to improve objectivity and efficiency in the Institute's governance.

The Council has accepted the following recommendations during the year:

- Continue to adopt the existing Council meeting procedures and rules;
- Maintain the current election system for President and Vice Presidents of the Institute;
- Change the composition of the trustees of the HKICPA Trust Fund to enhance operational effectiveness;
- Change the composition of the Audit Committee for a balanced representation between practising and non-practising sectors;
- Facilitate Council members' access to minutes of accountability boards, committees and working groups;
- Enhance communication between the Council and accountability boards through the appointment of incumbent Council members as chairs of accountability boards;
- Revise the terms of reference of the accountability boards to clarify and focus their responsibilities on oversight instead of operational issues;
- Set out a mechanism for evaluation of the performance of committee chairs and members; and
- Discontinue the organization of Council election forums and explore alternative and effective ways for Institute members to understand the candidates standing for Council elections.

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

The **Remuneration Committee** makes recommendations to the Council on annual pay adjustments, performance bonuses and other employment terms and conditions. The overall

remuneration of general staff is determined by the Council based on the recommendation of the Remuneration Committee and the Chief Executive and Registrar, who makes decisions for individual staff based on documented assessment.

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

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

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

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

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

### Execution and finance

Execution of the Council's policies and decisions is vested in the Chief Executive and Registrar, who is appointed by the Council. The Chief Executive and Registrar is responsible for overseeing the Institute's activities and day-to-day operations while acting as secretary and policy adviser to the Council. The Chief Executive and Registrar works with a management



# Working holistically

*Plastics make up about 80 percent of all marine litter, according to global estimates. With a mission of achieving clean beaches in Hong Kong, the local charity Plastic Free Seas takes a holistic approach from education to action, just as Institute members are trained to scrutinize the details while making sense of the bigger picture to see through tricky situations.*

From left: Plastic Free Seas Founder and CEO Tracey Read, Operations Director Dana Winograd and volunteer Winnie Yeung clear a beach at Sam Pak Wan, Discovery Bay.



“We continue to manage our resources using prudent and conservative principles to serve the best interest of our members, our students and the public.”

team of two Executive Directors, a General Counsel and nine Directors. Together they manage about 200 staff and a network of statutory and decision-making committees, as well as advisory committees and panels.

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

We continue to manage our resources using prudent and conservative principles to serve the best interest of our members, our students and the public. In the financial year ended 30 June 2014, the group had a surplus of HK\$21 million after tax and had net assets of HK\$365 million.

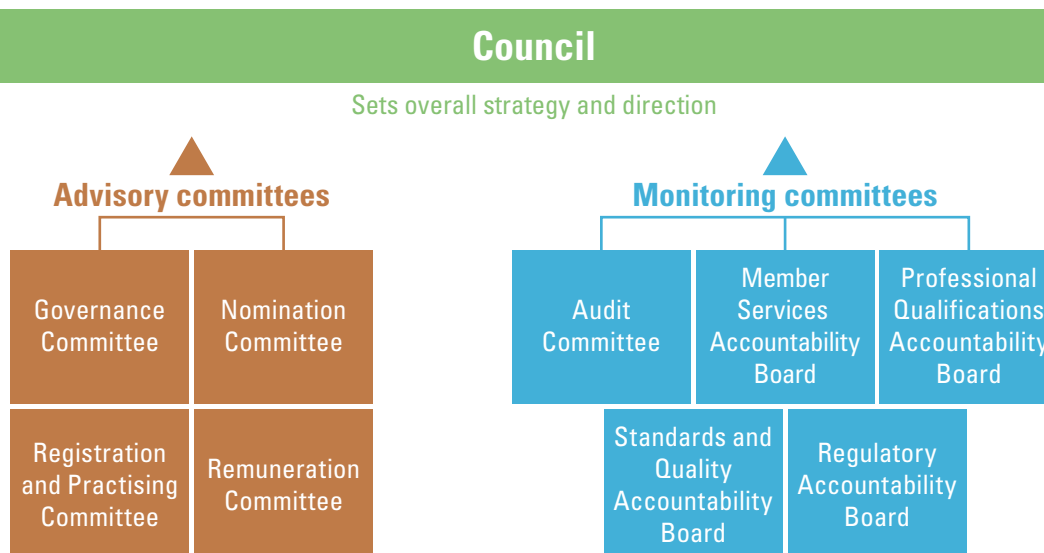
The Institute continuously upgrades and maintains facilities necessary for the provision of high-quality

services to members. To cope with the continuous growth in our membership, the Institute has begun a revamp of its member activities system, which will improve efficiency and effectiveness in managing data and processes over registration, renewal, examinations, professional development, events and networking.

During the year, we upgraded our information technology infrastructure, including the Internet firewall, data storage and network to improve security and accessibility. We also implemented a point-of-sale system to improve counter services and completed the employee self-services module in the human resources information system to streamline internal administrative processes.

The former library on the 27th floor of Wu Chung House has been converted into a multi-function area that can also be used for training, social activities and meetings. More courses and events can now be arranged in-house to reduce external venue costs. The area can also be converted into a large study area at examinations time.

## Governance structure





# Passing on knowledge

*As a world-class nature education facility and a conservation project, Hong Kong Wetland Park demonstrates the diversity of the ecosystem and highlights the need to protect such habitats. At the Institute, education is similarly an important component as we set the highest qualifications for members and ensure their continuing professional development so that they can support Hong Kong's role as a top-tier financial centre.*

Two children play in front of an interactive screen at the Wetland Discovery Centre in the Hong Kong Wetland Park in Tin Shui Wai.



# A Growing Organization

At 30 June 2014, total Institute membership stood at 37,198, including 5,213 fellow members. There were 4,259 members holding practising certificates, up from 4,141 at the same time in 2013. The number of member practices grew to 1,709 from 1,653 in 2013. This figure includes 448 corporate practices.

So far, 10,384 CPAs have passed through the Qualification Programme since it began in 1999. We renewed our reciprocal membership agreements with the leading professional accounting bodies and fellow Global Accounting Alliance members in Australia and New Zealand, Canada, England and Wales, Ireland, Scotland and South Africa this year, maintaining recognition of the Institute's qualification in all major capital markets in the world.

## Continuing professional development

Institute members are committed to lifelong learning with a focus on improving their skills and knowledge to meet the market needs. The continuing professional development events organized by the Institute in the year ended 30 June 2014 included:

- 345 events (including three collaborative programmes)
- 332 e-learning programmes (55 were collaborative)

The number of members attending totalled 12,599. They accounted for 59,470 enrolments, up from 51,821 in 2013, including 531 for collaborative programmes.

The total CPD hours accrued was 4,287, including 2,488 hours from collaborative programmes. The Institute's offer of free places at selected CPD events attracted 930 people. The most popular CPD event topics were the new Companies Ordinance, initial public offerings, valuation, China tax and independent non-executive director training.

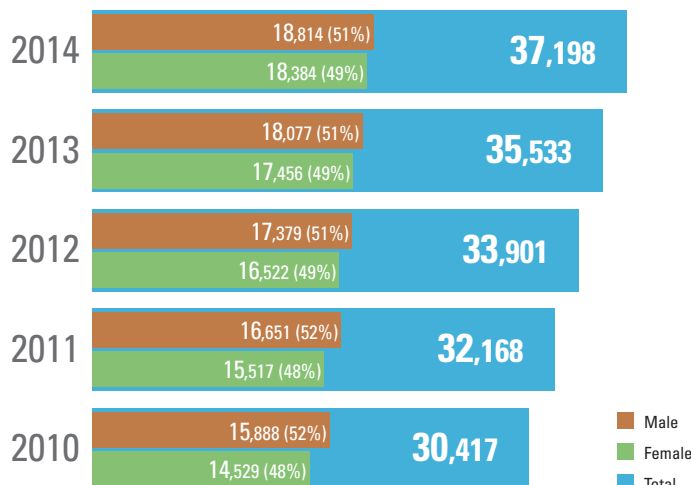
## Specialist training

To help members thrive in specialized fields, the Institute has launched several specialist training programmes.

The Professional Diploma in Insolvency was held from September 2013 to June 2014 with 13 candidates successfully completing the course. The 352 graduates of the course, since it began in 2000, are entitled to use "SQ (Insolvency)" after their names.

The Insolvency Preparatory II course took place in July and August 2013 with 58 enrolments, and the Preparatory I course was held from April to June 2014 with 112 enrolments.

## Membership growth and gender distribution over five years



4,259

Number of members holding practising certificates

Number of firms and corporate practices

1,709

16,488

Number of students



The second cohort of the Advanced Diploma in Specialist Taxation of 17 candidates successfully completed their course between March 2013 and March 2014. There have been 60 graduates from this course since its debut in 2012.

### Students

There were 16,488 registered students at 30 June 2014. Women account for 9,132, or 55 percent of the total. Also included in that figure were 1,173 Mainland students, comprising 429 Chinese Institute of CPAs members and 744 Mainland degree holders.

There were 852 graduates in the December 2013 session and 723 graduates in the June 2014 session, making the total number of QP graduates 14,148 since the programme began in 1999. This is an increase from 12,573 in 2013.

The Institute has accredited 94 programmes, comprising 57 accountancy degree and 37 conversion courses offered by local, Mainland and overseas tertiary institutions, to pave the way for qualified students to study the QP.

During the reporting period, three new accountancy degree programmes and one new conversion programme were accredited, including the University of Macau's accounting degree course, the first one accredited in Macau.

The number of annual examination enrolments reached a record high of about 24,000, including module and final examinations.

Scholarships were awarded to 85 students at accredited accounting programmes offered by Hong Kong and Mainland tertiary institutions.

In its 12th year, the Institute's QP case analysis competition in Hong Kong attracted a record 343 teams from 10 tertiary institutions. The competition was also held in the Mainland for the fifth time with 433 teams from 51 universities. This competition has become a signature event among tertiary institutions in both places.

The Institute is providing a clear pathway for students studying business or accounting and finance who aspire to become CPAs. The HKICPA Examination in BAFS attracted more than 5,000 enrolments from almost 200 secondary schools.

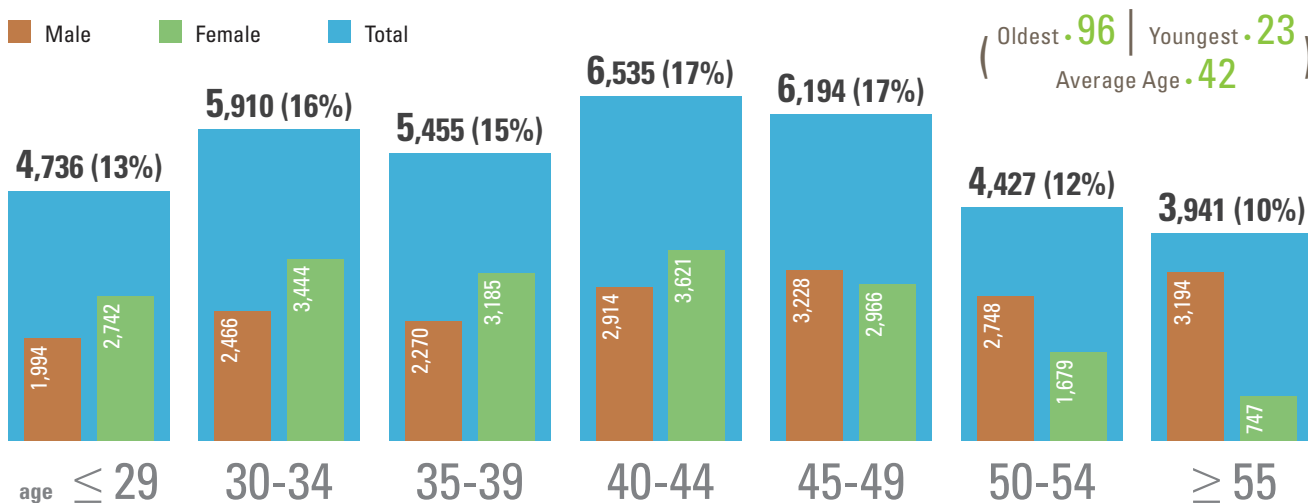
The Institute organized a career forum featuring exhibitions and workshops with speakers sharing their work and life experiences and discussing topical issues concerning the profession. More than 700 university and QP students attended.

To assist QP students in their examination preparation, two "Success Ingredients for QP" forums were held with special emphasis on examination techniques and common problems that most QP students encounter.

To celebrate the success of QP graduates, an award and graduation cocktail party was held at the Institute's auditorium, with more than 300 graduates attending.

As of 1 June 2014, 1,319 authorized employers and 1,988 authorized supervisors had registered with the Institute to train budding CPAs. The Institute continues to provide support to QP students who do not work under these supervisors or employers by assigning an external authorized supervisor to act as their

### Membership age distribution (male vs. female) (as of June 2014)



mentors. There were 89 external authorized supervisors and 54 QP students in this scheme.

The Institute has visited 194 authorized employers and authorized supervisors under the enhancement programme launched in 2008 to make sure the scheme runs in line with its mission.

To showcase the Institute's brand and QP in China, on-site talks and roving exhibitions were also conducted for the target audience of the international affiliates of the top 20 CPA firms as well as accounting graduates from the 15 accredited Mainland universities.

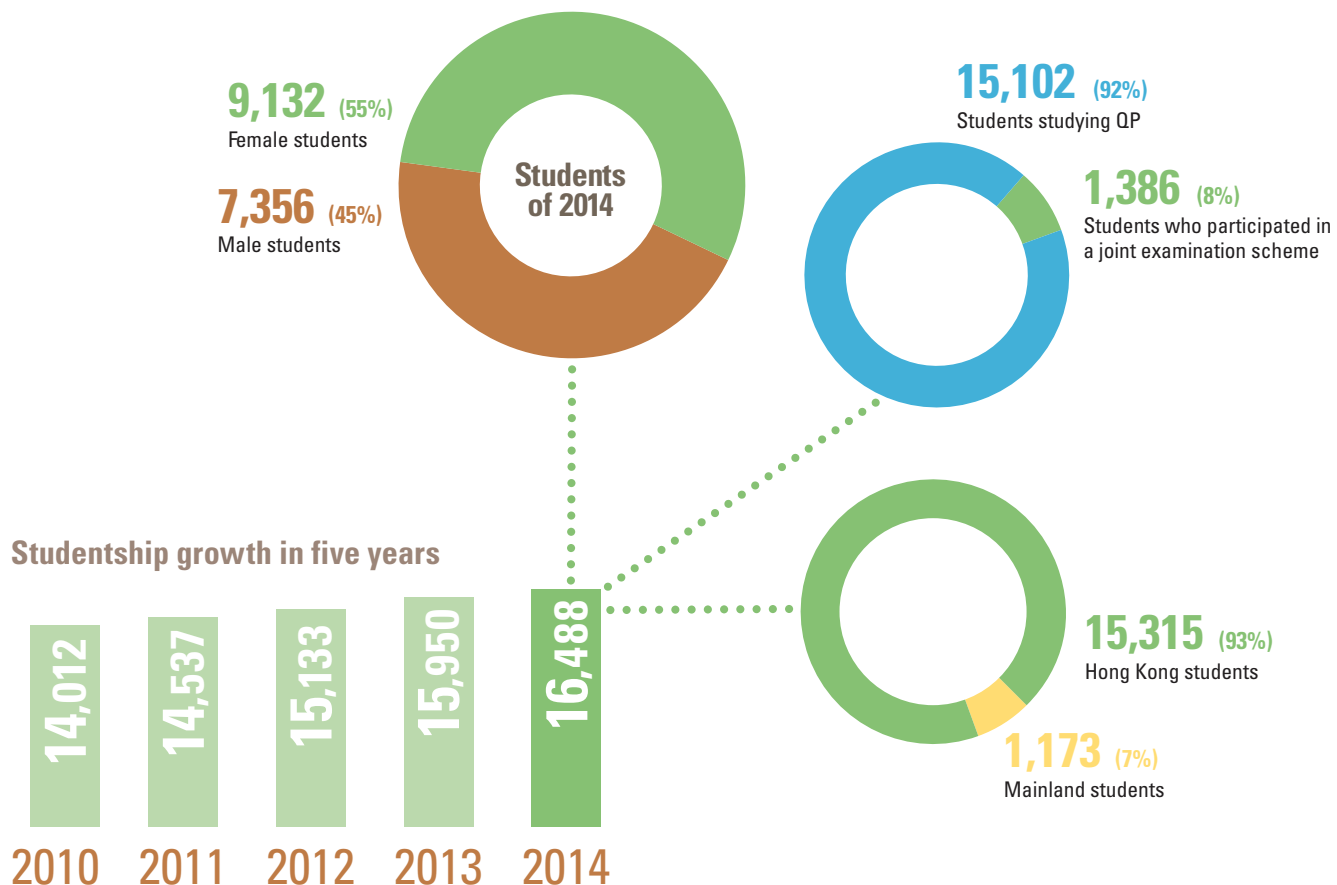
The Institute co-organized a career forum with the Sun Yat-sen University in Guangzhou in April 2014. More than 500 university students attended forum activities, including career-oriented workshops and employer exhibitions.

To reinforce our relationship with the Chinese Institute of CPAs' provincial institutes in southern China, the Institute attended and supported several activities of the Guangzhou Institute of CPAs, such as their spring festival gathering and the managing partners' annual forum.

### Accounting technicians

Since introducing a new qualification framework in 2009 that tests accounting knowledge and understanding of professional ethics, the Institute's subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered almost 6,800 new students to its AAT examination.

To date, the HKIAAT has accredited 38 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, 1,082 AATs have become eligible for entry into the QP.



# Maintaining High Standards

The Institute is the standard-setting body for Hong Kong's accounting profession and maintains full convergence with International Financial Reporting Standards as well as international auditing, assurance and ethical standards to support Hong Kong's position as an international financial centre. It plays a crucial role in supporting the effective implementation of standards, maintaining convergence with international standards and facilitating the transmission of stakeholders' comments and concerns to the international standards bodies.

This reporting year, the Institute provided 15 comment letters on international proposals. The Institute is fully engaged in the accounting profession internationally and world standard-setters welcome and respect our views.

During the year, the Institute issued 19 updates to the members' handbook with revised standards and interpretations.

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

This year, the Institute hosted forums, roundtable meetings and panel discussions with the IASB and the International Ethics Standards Board for Accountants. Representatives from the Institute attended meetings of the World Standard-setters and the International Forum of Accounting Standard Setters. We also supported the Institute's representative on the IFRS Advisory Council.

The Institute attended meetings in New York, hosted by the International Auditing and Assurance Standards Board and

IESBA that brought together national standard-setters from a number of significant jurisdictions to share views and provide input on major initiatives of the international standard-setters.

## Training and support

The Institute held more than 80 events to support members' technical knowledge, including technical update evenings, HKFRS for Private Entities workshops, training for audit managers and audit staff, seminars on the revised code of ethics and the new Companies Ordinance, workshops on quality control and audit practice manuals, forums on financial reporting and auditing, and the popular annual accounting and auditing updates.

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

The technical resources webpage was monitored continuously to ensure it remains an effective "one-stop" source for all technical information.

## Quality assurance

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

The practice review programme is an important means by which the Institute fulfils its statutory role as regulator of auditors. It adopts international best practice, including giving priority to reviewing practices with listed clients. During the year, 221 site visits were made and the Practice Review Committee considered 201 reports. Where deficiencies were identified, the committee exercised its power to direct firms to take remedial action, require further site visits or recommend disciplinary action. Cases involving an auditing or reporting irregularity in respect of a listed company are also referred to the Financial Reporting Council for investigation.





## Setting the standards

*To conserve Hong Kong's unique marine animals, the government has taken steps such as banning trawling and tightening vessel registration.*

*Catches have been set at sustainable levels and are regularly monitored to help protect important fish spawning and nursery grounds. In the same view, professional standards and rules are important to ensure the accounting profession's reputation for excellence and integrity.*

*Small fish were caught in fishing nets before the moratorium on trawling was imposed in 2012.*



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

In 2013, the Institute referred five cross-border engagements for review by the Supervision and Inspection Bureau of the Chinese Ministry of Finance under our memorandum of understanding to enhance the coverage of audit engagements in the practice review programme. The ministry’s reviews and responses from the firms form part of the practice review report on the firms.

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 81 sets of financial statements and sent 38 letters to auditors and members with improvement suggestions on identified financial reporting issues. 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.

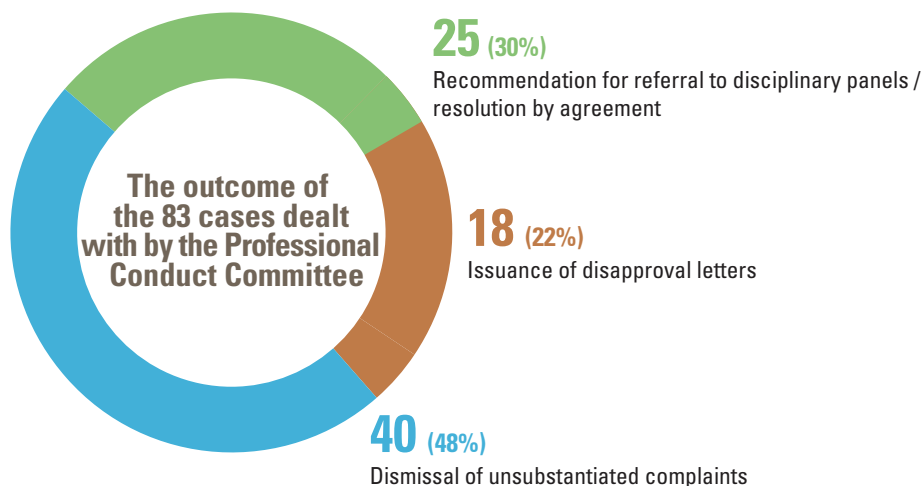
The Institute’s Standards and Quality Accountability Board oversees the work of the Quality Assurance Department. In late 2013, the board endorsed a report on a limited scope process review on the practice review programme conducted by the Practice Review Committee with satisfactory results.

#### Compliance

The Institute strives to protect the public through a rigorous compliance system to provide effective regulation of members.

Complaints are investigated by compliance staff before being presented for consideration by the Professional Conduct Committee, which has powers delegated by the Council to dismiss unsubstantiated complaints and adjudicate minor ones. More serious matters are referred to the Council with recommendations for further regulatory action.

In order to better serve the interests of the public, the Council has initiated a non-negotiable resolution by agreement that can be offered to respondents in lieu of formal disciplinary proceedings. The resolution applies to cases that meet a set



“The practice review programme is an important means by which the Institute fulfils its statutory role as regulator of auditors.”

of pre-determined criteria and is deemed to be a just and proper regulatory action in moderate cases. The Council refers serious cases requiring evaluation by an independent party to Disciplinary Panels.

During the year, 110 new complaints were received, bringing the total caseload to 154. Referrals from other Hong Kong regulators accounted for 14 of these cases. The Professional Conduct Committee dealt with 83 cases (see breakdown from the previous chart).

During the year, the Council referred 29 cases to the Disciplinary Panels, adding to the 21 that were already in progress. The Disciplinary Committees concluded 19 cases this year.

In addition, the Compliance Department held two seminars designed to promote good practice and raise members' awareness of critical regulatory issues.

As a measure to protect the integrity of the profession, the Institute took actions against individuals or companies that (i) fraudulently represented themselves to be qualified and registered to practice as a CPA (practising); or (ii) are not CPAs but knowingly permit the use of “certified public accountant” or “CPA” in their name or in connection with their business. Action taken included the following:

- 12 corrective actions by unlicensed practices/persons
- Seven reports to police
- Four regulatory actions against CPAs involved

The Institute's Regulatory Accountability Board ensures that the work of the Compliance Department and the Professional Conduct Committee is carried out in accordance with strategies and policies determined by the Council and in the public interest. At the end of 2013, the board conducted a process review to assess the department's operations. The results were positive and concluded that the department has adhered to established internal procedures.

## GLOBAL IMPACT

Formed in 1997, the Global Reporting Initiative, an Amsterdam-based not-for-profit organization, has pioneered and developed the world's most widely used sustainability reporting framework. With a network-based structure, its activity involves thousands of professionals and organizations from many sectors, constituencies and regions. **Peter Wong**, a past president of the Institute, formerly represented Hong Kong on the GRI board to provide important views and help drive the worldwide adoption of the framework. Over the years, he has been instrumental in championing Hong Kong's sustainability and is now Chairman of the Institute's Sustainability and Integrated Reporting Advisory Group.

15 comment letters on international proposals issued

80 events held to support members' technical knowledge

221 site visits made in relation to practice reviews

81 sets of financial statements reviewed under the Professional Standards Monitoring Programme



# Supporting Members' Success

One of the key focuses of the Institute is to provide relevant services to meet the needs of our diverse members throughout their professional lives. The Institute has continued to organize numerous seminars and events for members of our specialist groups, including the Restructuring and Insolvency Faculty, Taxation Faculty, the Corporate Finance Interest Group and the Forensics Interest Group.

A transfer pricing symposium covering the Mainland, Hong Kong and Taiwan was held this year in conjunction with Shanghai University of Finance and Economics and Golden Finance, at which Taxation Faculty representatives were among the speakers.

In addition, this year's Mainland taxation update conference included a speaker from the Guangdong Provincial Office of the State Administration of Taxation. A Hong Kong tax update conference was also held.

Other activities included an exploratory meeting with the Shenzhen Lawyers Association to discuss cross-border insolvency matters, while the subject of anti-money laundering for accountants was explored at a seminar hosted in conjunction with the Narcotics Division of the Security Bureau.

There were also various forums about issues of current interest, including the updated internal control guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission, implementation of the new Competition Ordinance, and corporate governance disclosure and practice. A meeting with representatives of the Securities and Futures Commission resulted in a note for members clarifying certain aspects of the new inside information disclosure regime.

The Institute held several joint events with the Institute of Chartered Accountants in England and Wales, including an economic forecast for China, Hong Kong and Macau.

Other events included professional interest group seminars on financial services, and property and construction, as well as

the annual IT conference. There were events relevant to small- and medium-sized practitioners including the annual SMP symposium and networking activities for both Hong Kong and Mainland SMPs. A civic education forum on the "Consultation Document on the Methods for Selecting the Chief Executive in 2017 and for Forming the Legislative Council in 2016" and a visit to the Electoral Information Centre were also held.

Specialist training programmes included three insolvency preparatory courses, the Professional Diploma in Insolvency and the Advanced Diploma in Specialist Taxation. The tax programme was enhanced to make it more suitable to meet members' training needs, while the Institute continued to explore the feasibility of introducing a specialist designation in taxation.

At the same time, we continued to keep members updated on news and standards through the monthly technical newsletter *TechWatch* and produced regular e-newsletters for Restructuring and Insolvency Faculty members (*The IP's Voice*), professional accountants in business (*Inside Business*), Taxation Faculty members (*Tax Link*) and Corporate Finance Interest Group members (*Corporate Finance Alert*). We also inaugurated an e-newsletter for Forensic Interest Group members (*Forensic Update*) during the year.

In addition to professional and networking events, the prerequisites of Institute membership extend into other areas. A career conference to mark the Institute's 40th anniversary was organized on 31 August 2013, attracting close to 300 participants. Members have been issued 11,265 affinity credit cards since the programme's launch in 2012.

Hong Kong Chief Executive Leung Chun-ying was guest of honour at a gala dinner marking the Institute's 40th anniversary. More than 800 members and guests attended the event.

## Young members

More than 700 young members attended dedicated events including a workshop on personality traits, a sharing session on entrepreneurship and starting a business, a culture and heritage



## Being resourceful

*Hong Kong has long sought an answer to its mounting problem of waste disposal with considered measures such as incinerators and plastic bag levies. Tzu Chi, a Buddhist community group, has been dedicated to improving the environment by facilitating volunteers to collect plastics and other waste throughout Hong Kong for recycling. At the Institute, we also strive to equip members to become resourceful in dealing with complex business issues.*

Hui Shuk-king (foreground), 93 years old, has been among the regular volunteers at Tzu Chi's Quarry Bay Environmental Station since it opened in February 2011.

“The tax programme was enhanced to make it more suitable to meet members’ training needs, while the Institute continued to explore the feasibility of introducing a specialist designation in taxation.”

class in Guangzhou, a youth forum held with other professions to explore the opportunities and challenges facing young professionals, and a number of other networking opportunities.

The Institute is developing its first ever mentorship programme to provide young members with an opportunity to consult and learn from more experienced members. It aims to enhance younger members’ career development through the sharing of experience, knowledge and advice.

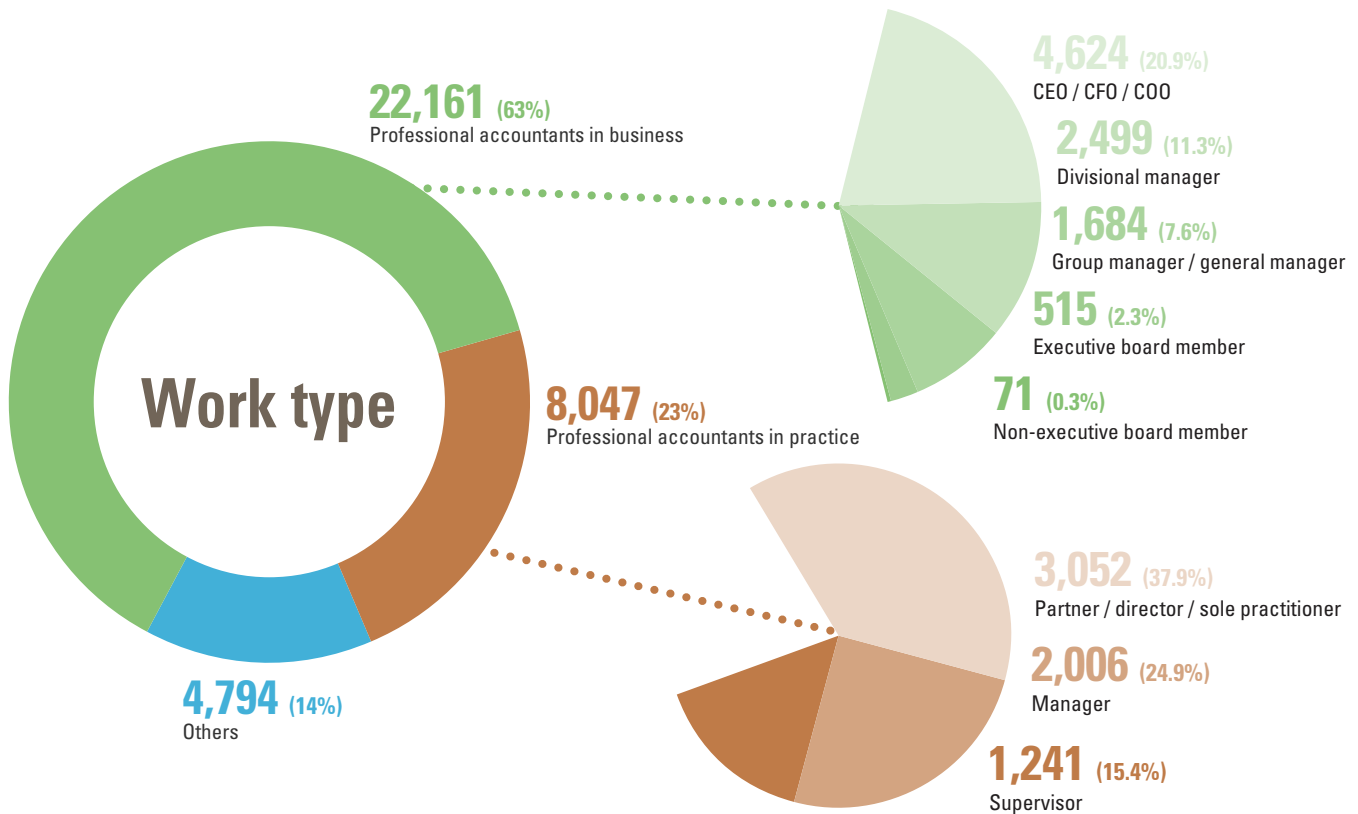
The Institute will continue to engage with younger members through social networking and digital media. A

Facebook group with close to 1,500 participants has broadened communications with young members, while *A Plus*, the Institute’s monthly publication, can be downloaded via smartphone and tablet apps.

**Sports and Recreation Club**

The Institute is deeply aware of the importance of attaining a work-life balance among members. The Sports and Recreation Club’s objectives are to provide members with networking opportunities in a healthy environment, cultivate members’ team spirit and sense of belonging to the Institute and equip them with training to represent the Institute in competitions.

**Members taking up leading positions**



Source: member census with 35,002 respondents as of June 2014.



“The Institute is developing its first ever mentorship programme to provide young members with an opportunity to consult and learn from more experienced members.”

The membership of the club stands at 4,251, a 21 percent increase since July 2013. The 14 interest groups organized 460 sports and leisure activities during the year.

An individual survey sent to members of all 14 interest groups was conducted in June to gauge their views on activities and future planning.

The club recorded a number of competitive successes during the year. The sailing team clinched the championship in the Hong Kong Performance Number Division A of the Waglan Series, which consisted of 10 races from September 2013 to April 2014. We were the first Chinese team to win the championship in this top-tier division since the series started in 2008.

The CPA bowling team won the championship in the Recreation and Sports Club for Hong Kong Professional Bodies tournament on 29 September 2013, while the CPA basketball team won its second consecutive championship in the RSCP basketball tournament in March. The CPA badminton team secured its second straight win in the cross-border competition in November.

The Institute won the “most supportive group” for the fifth consecutive year at the Standard Chartered Marathon 2014. Our CPA runners clinched five top prizes in the 2014 SME Marathon Cup, while past president Keith Pogson won the championship in the SME Chairman Cup.

6

regular technical e-newsletters issued to cater to members' different needs in relation to general technical knowledge, insolvency, business, tax, corporate finance and forensic accounting

11,265

affinity credit cards issued to members

1,500

participants in the Facebook group for young members

4,251

members in the Sports and Recreation Club

## BUSINESS COORDINATION

Sustainability in business requires coordination such as that developed by the Business Environment Council, a non-profit organization that has been serving Hong Kong for more than 20 years. Its Chief Executive Officer **Agnes Li**, who is an Institute member, is working to make sure the organization stays at the forefront of promoting environmental excellence through efficient management of resources, and continues to offer sustainable solutions and professional services for government, business and the community in transitioning to a low carbon economy.



# Global connection

*A mountain bike rider tackles a trail built through international cooperation. Experts from the International Mountain Bicycling Association, based in the United States, were invited to advise Hong Kong's Agriculture, Fisheries and Conservation Department to construct quality and sustainable trails. Similarly, the Institute has been forging links with international stakeholders to help shape global policy to drive the profession's progress.*

Eric Chan (left) is a volunteer with the Tai Mo Shan Trail Crew while Brandon Kirk (riding) is a coordinator of the crew.





# Two-Way Cooperation

Accounting is a global undertaking and Hong Kong CPAs have one of the most international outlooks of any professional accountants anywhere, given their location in a major international financial centre and one of the great cultural crossroads of the world. Our members' international experience shapes the profession and extends its influence far beyond Hong Kong.

Although China has opened up to the world over the past three decades, Hong Kong remains a vital gateway, both for international businesses seeking trade and commerce in the Mainland and as a first port of call for increasingly outward-looking Chinese companies seeking to make a broader impact.

The Institute's position as a recognized leader in international accounting affairs is particularly important to our Mainland colleagues as they engage further with global activities.

During the year, the Institute continued to broaden and deepen its special relationship with the profession, regulators, government officials, and the business and financial community in the Mainland to enhance Hong Kong's unique role in serving, benefiting from and globally connecting the Greater China market.

## Closer ties with the Mainland

We have established a Mainland Development Strategies Advisory Panel to guide our strategies and activities in and relating to China.

The Institute's work on convergence of Mainland standards with Hong Kong and international standards is paramount. We maintain a continuous dialogue with the Ministry of Finance and other institutions in the Mainland, in accordance with the joint declarations for the convergence of Chinese and Hong Kong standards.

Our close relationship with Mainland counterparts and other relevant organizations has resulted in the Institute's Council and management making a number of visits to China to foster closer ties and help members expand their career and business opportunities across the border.

Important meetings took place between the Institute's representatives and high levels of national authorities, such as the Ministry of Finance, the State Administration of Taxation, the China Securities Regulatory Commission, the Chinese Institute of CPAs and the Beijing National Accounting Institute.

Dialogue is also maintained at the sub-national level such as through joining official delegations to provinces such as Guangdong, Fujian, Guangxi, Jilin and Shandong, and major cities like Beijing, Chongqing, Shanghai and Shenzhen organized by the central government, Hong Kong government and Hong Kong Trade Development Council. Meetings were also conducted with provincial and municipal authorities, local regulators, accounting bodies and other government-affiliated business and employer organizations.

To enhance the Institute's knowledge of local issues and maintain awareness of new developments in the Mainland regulatory scene, a number of meetings were held to address specific topics such as tax issues in Shenzhen, possible business opportunities for Hong Kong CPAs in the China (Shanghai) Pilot Free Trade Zone, access to Mainland audit working papers and proposed guidance notes on professional judgment.

## EXPERT OVERSEAS

The Institute's globetrotting members not only bring their expertise to work in other countries, but also to higher-calling initiatives. **Kathy Liu**, Chief Financial Officer of clothing maker Kizan International, is a member of the Education Review Committee of the Sustainability Accounting Standards Board in the United States, an influential group chaired by Michael Bloomberg, former mayor of New York City. Liu devotes her time investigating ways to reduce the carbon footprint of the global apparel industry supply chain.



The Institute also maintained communications with the Mainland profession through conferences, seminars and events such as the annual Cross-straits, Hong Kong and Macau Accounting Profession Conference, organized by the Chinese Institute of CPAs in Qinghai in 2013.

As well as the busy schedule of official events, we attended a number of relationship-building social and cultural activities, such as the spring festival cocktail party organized by the Beijing office of the Hong Kong government and a dinner party with the Hong Kong government's Shanghai economic and trade office.

### Destination Hong Kong

Mainland officials, business people and accounting professionals also engage with their counterparts in Hong Kong by visiting here.

The Institute received a number of delegations and visitors during the year from various Mainland institutions, including the Ministry of Finance, Shenzhen Committee of Chinese People's Political Consultative Conference, Shenzhen Finance Committee, Shenzhen Local Taxation Bureau, Beijing Investment Promotion Bureau, Central University of Finance

## EDUCATING YOUTH

Institute members are keen to pass on their knowledge and experience to the next generation to keep sustainability efforts going. **Robert Gibson**, a member of the Institute's Sustainability and Integrated Reporting Advisory Group, is Adjunct Professor in the Division of Environment at Hong Kong University of Science and Technology. As the former director of sustainable development at John Swire & Sons (HK), Gibson is experienced in policy research on mitigating greenhouse gas emissions.

and Economics, China Overseas Friendship Association and Foshan Shunde Economy, Science and Technology Bureau.

### Branding Hong Kong CPAs

Developing consistent and effective promotion of the Hong Kong CPA brand in Mainland China is our on-going focus.

The Institute participated in two Hong Kong Trade Development Council SmartHK events, in Guangzhou last year and Nanjing this year, to promote the Institute and its Qualification Programme.

We also visited the Central University of Finance and Economics in Beijing to introduce our qualification.

Advertisements promoting the Institute and QP were placed in the *Accounting Yearbook of China* and the *China Taxation Yearbook*.

The Institute has its own column in *Xinlicai*, a monthly magazine published under the Ministry of Finance, featuring interviews to explain the strength and attributes of Hong Kong CPAs to Mainland enterprises.

### Member support

Members are kept up-to-date on Mainland tax, accounting and regulatory issues through the Institute's free China Desk advisory service and updated information on the website. We also arranged a subscription service for members to access premium Mainland technical publications for first-hand, quality information. A total of 166 orders from members for Mainland accounting and tax journals and yearbooks were processed during the year.

Technical articles covering Mainland issues written by accountants, lawyers and other experts are frequently published in *A Plus*.

The Mainland Business Interest Group held a number of seminars, programmes and workshops during the year, including an August 2013 event entitled "Analysis of the interactions among the economies of China, U.S. and Europe,"

# Technology matters

*To help solve Hong Kong's long-term problem of sewage treatment, the Hong Kong University of Science and Technology, partnering with the government and other institutes, has invented SANI. This innovative technology integrates with the sea water flushing system to minimize the adverse impact on the environment by reducing 90 percent of sludge production and containing odour and greenhouse-gas emissions. Technology also plays an important role in the accounting profession as CPAs are at the forefront of the digital boom.*

HKUST Department of Civil and Environmental Engineering researchers (from left) Hao Tianwei and Wang Bo collect a water sample generated by Sulphate Reduction, Autotrophic Denitrification and Nitrification Integrated (SANI) sewage treatment technology at the Shatin Sewage Treatment Works. This project is led by Chen Guanghao, a professor with the department.



“The Institute’s position as a recognized leader in international accounting affairs is particularly important to our Mainland colleagues as they engage further with global activities.”

which attracted 170 participants. Other programmes helped members study Mainland business practices and management, common problems and solutions to property management, and an analysis of the financial service policies in the China (Shanghai) Pilot Free Trade Zone.

#### International dialogue

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

The Institute is a founding member of the Global Accounting Alliance, a group of 11 of the world’s leading professional accounting organizations linking Hong Kong with Australia, New Zealand, Canada, the United States, England and Wales, Ireland, Scotland, Germany, South Africa and Japan. Our membership of the GAA ensures that we can draw on top quality resources to provide support to our members at home and abroad and to bring international perspectives to issues affecting the profession in Hong Kong.

During the year, we continued to engage with the International Federation of Accountants directly and as part of the GAA. When IFAC President Warren Allen visited Hong Kong in October 2013, we hosted several strategic meetings

between him and stakeholders, and conducted an interview with him for *A Plus* to update members about latest international accounting developments.

The Institute took up chairmanship of the Asian-Oceanian Standard-Setters Group in November 2013, and, in this capacity, represented the group on the IASB Accounting Standards Advisory Forum.

We continued our dialogue with other influential international groups such as the Committee of Sponsoring Organizations of the Treadway Commission, INSOL International and the International Valuation Standards Council. We took the opportunity of their leaders’ visits to Hong Kong to conduct interviews with them to keep our members abreast of international trends in internal control, insolvency and valuation.

For the Institute’s involvements with other international standard-setting bodies, including the International Accounting Standards Board, International Auditing and Assurance Standards Board, International Ethics Standards Board for Accountants, International Integrated Reporting Council and Global Reporting Initiative, please refer to the “Standards, Ethics and Regulation” or “Making a Difference to Society and Thought Leadership” sections of this annual report.



## Representatives on international, regional and other professional bodies

### International Federation of Accountants

**Judy Tsui**, Member of Nominating Committee

**Albert Au**, Member of Small and Medium Practices Committee

**Eddy Wong**, Technical adviser to Albert Au (until February 2014)

**Raymond Cheng**, Technical adviser to Albert Au (from February 2014)

**Susanna Chiu**, Member of Professional Accountants in Business Committee

**Peter Tisman**, Technical adviser to Susanna Chiu

**Dennis Ho**, National Standard Setters – International Auditing and Assurance Standards Board

**Chris Joy**, National Standard Setters – International Auditing and Assurance Standards Board, and National Standard Setters – International Ethics Standards Board for Accountants

### IFRS Foundation and International Accounting Standards Board

**Ronald Arculli**, Trustee of IFRS Foundation

**Roger Best**, Member of IFRS Advisory Council

**Clement Chan**, Member of IASB Accounting Standards Advisory Forum

### International Forum of Accounting Standard Setters

**Clement Chan**, Institute representative

### Asian-Oceanian Standard-Setters Group

**Clement Chan**, Representing the Institute as Chairman

### Global Accounting Alliance

**Raphael Ding**, Board member

**Chris Joy**, Alternate member to Raphael Ding and Member of GAA Technical Directors Group

**Jonathan Ng**, Member of GAA Education Directors Group

**Peter Tisman**, Member of GAA Tax Directors Group

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

**Edward Middleton**, Board director

### Accounting for Sustainability

**Chris Joy**, Institute representative on the A4S Accounting Bodies Network

### Asia Oceania Tax Consultants' Association

**Anthony Tam**, Vice President

### Chartered Accountants Group of Executives

**Jonathan Ng**, Member of Education Directors' Reciprocity Project

### International Innovation Network

**Margaret Lam**, Member of Affinity Task Force

**Peter Tisman**, Member of Business Members Task Force

**Phoebe Wong**, Member of CPD Task Force

### Institute of Chartered Accountants in England and Wales

**Edward Chow**, Council member (co-option)









## Branding for success

*Waste from the garment industry is an increasing problem in Hong Kong as more than 200 tonnes of textile surplus are dumped into landfills each day. Redress, an NGO with a mission to reduce waste in the industry, works along the supply chain and advocates through its popular sustainable fashion design competition. Similarly, the Institute communicates its best ideas through branding and events such as the Best Corporate Governance Disclosure Awards.*

Redress Founder and Chief Executive Christina Dean (far left) looks at textiles with (from left) Angus Tsui, Janko Lam and Kelvin Wan, former winners of Redress' EcoChic Design Award competition, which aims to inspire emerging fashion designers to create clothing with minimal textile waste.



# Engaging Stakeholders

Through branding and communications, the Institute endeavours to engage not only with members but also with a wider cross-section of society, including the business and financial community, government and regulators, accounting and professional bodies, academic institutions, Mainland authorities and universities and – given Hong Kong's status as a major international finance centre – a global audience of stakeholders.

The Institute also strives to explain to an external audience the indispensable roles played by professional accountants that contribute to the overall wellbeing of Hong Kong.

## Audit regulatory reform

The proposal to improve the regulatory regime for listed-entity auditors is one of the most important reforms for the profession in recent years. It not only affects members who audit listed companies but also accountants in business and the general membership.

The Institute supports the need for reform and has been working closely with the government and Financial Reporting Council to assist in developing a system that meets international benchmarks while addressing local circumstances.

The consultation process began during the year and comprised two parts: a member consultation from 8 October 2013 to 17 January 2014 and a public consultation from 20 June to 19 September 2014. The member consultation included an online survey in which more than 4,500 members participated, while 40 firms and members submitted detailed responses. They largely supported the Institute's views.

We also elucidated our positions so that all concerned parties became aware of the implications and could offer their views to the government and other stakeholders.

We organized member forums in October and November 2013 to solicit members' views on the draft proposed framework. We also organized dedicated seminars for different groups of our membership, including small- and medium-sized practitioners, practising certificate holders, professional

accountants in business, firms that audit listed companies, and committee chairs and deputy chairs, to separately explain the potential implications to them and gauge their views. More than 1,200 members attended these events.

We also utilized other channels to keep members informed and maintained a continuous debate about the issues, including through a dedicated website and emails.

With *A Plus*, the Institute's monthly magazine, we commissioned special feature stories explaining the member consultation and reporting on member feedback and survey results. A number of President's Messages in the publication also kept members abreast of developments, as did the Chief Executive updates sent through emails.

In terms of external communications, we facilitated constant dialogue between the Institute's leadership and Hong Kong media. Both the President and Chief Executive gave

## BUILDING AWARD

Hysan Place, winner of the 2014 VIVA Best-of-the-Best Sustainable Design and Development Award presented by the International Council of Shopping Centers, is the flagship building of the Hysan Development Company. The Causeway Bay skyscraper features central skylights, a fourth floor sky garden and low-impact design, including a state-of-the-art ventilation system, water-saving devices, low-energy fixtures and recycled materials. Behind Hysan's efforts in championing sustainability are its dedicated staff and leaders including Institute members **Nicholas Allen** and **Joseph Poon** (both Independent Non-Executive Directors), **Wendy Yung** (Executive Director and Company Secretary) and **Roger Hao** (Chief Financial Officer).



interviews to major newspapers, radio and television news programmes to talk about members' concerns on certain areas of the proposed framework, especially regarding registration, disciplinary proceedings, inspection power, penalties and the independent oversight body's funding and governance.

### Ministry of Finance exposure draft

The Institute actively monitors Mainland news and informs members about issues and events that might have an impact on their work. On 21 April 2014, the Ministry of Finance issued an exposure draft that potentially would have significant implications for the Hong Kong accounting profession.

The essence of the exposure draft is to require non-Mainland CPAs who audit overseas-listed enterprises with operating entities in China to enter into cooperative arrangements with Mainland practices.

We communicated the content of the exposure draft to members and CPA firms likely to be affected, while informing the Hong Kong government and other relevant bodies and entering into dialogue with Mainland authorities.

The ministry later reaffirmed that the continuous opening up of the Mainland market to Hong Kong under the Closer Economic Partnership Arrangement remained unchanged; and that the exposure draft's primary objective was to strengthen regulation over illegal cross-border audit activities in the Mainland.

The Institute will continue to liaise with Mainland authorities to resolve the regulatory issues arising from cross-border audit activities.

### Other important issues

The new Companies Ordinance, which took effect in March 2014, is one of the most wide-ranging legislative amendments in Hong Kong in several years. It has a significant impact on members, through the section introducing criminal liability for auditors arising from "recklessness" in audit reporting, as well as in relation to financial reporting, accounting period, share per value, business review and other issues.

To prepare members for the changes, the Institute website hosts a New Companies Ordinance Resource Centre, featuring technical updates, guidance and background material from our technical team, the Companies Registry, Hong Kong Exchanges and Clearing and accounting firms.

We also published several technical articles in *A Plus*, highlighting major changes brought about by the ordinance, the impact on the Small- and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard (Revised), and the effects on other financial reporting matters.

The Institute's leaders were sought after by the media to explain the new ordinance's effect on the wider business environment.

We also actively responded to the media on other topics affecting the profession, such as working hours, professional liability reform and deceptive methods used by agencies and non-CPA firms to mislead users seeking legitimate accounting and auditing services. We were also asked to comment on and explain issues affecting business in general, such as trust law, special listing structures and board diversity.

The Institute's budget proposals were widely reported, with the media noting our call for the government to provide more support to the community and to reinforce Hong Kong's standing as an international centre of finance and commerce.

### Brand promotion

The Institute commissioned two prominent panel advertisements to promote the Hong Kong CPA Practice Directory at the Hung Hom MTR station from March to May 2014. Targeting participants of major trade fairs taking place in Guangzhou and Hong Kong during the period, the ads positioned CPAs as good partners for business.

The Institute was a supporting partner of the *SCMP Classified Post* Career Forum held on 4 March 2014 and hosted the CEO sharing session on "evolving careers for accounting professionals" to reach out to a young audience and highlight the versatile career of CPAs.

“The Institute also strives to explain to an external audience the indispensable roles played by professional accountants that contribute to the overall wellbeing of Hong Kong.”

For more information about brand promotion in the Mainland, please see the “Mainland and International” section of this annual report.

### Global perspective

The Institute endeavours to establish and maintain effective channels of communication with all its members. Regular methods of engagement include the weekly e-circular, one-off and regular emails to members, letters from the President and the Chief Executive’s updates.

We undertake more comprehensive engagement from time to time, such as through the membership survey that provided important information on the state and outlook of the profession.

The Institute’s award-winning monthly magazine, *A Plus*, serves a dual role as an informative channel of communication with members and as a window on the profession for the outside world.

Recently, the magazine introduced a series of innovations, such as interviews with international accounting personalities to emphasize the Institute’s global importance and influence.

Meanwhile, the digital edition has been enhanced with videos profiling our members’ engagements in business, hobbies and community activities.

Many magazine features are reprinted by other media locally and globally helping the Institute to reach an even wider group of audience.

The magazine receives regular feedback from members, both positive and constructive. A members’ poll saw the February 2013 feature, “Love actually,” and the April 2013 feature, “The Institute at 40,” voted as the favourite *A Plus* cover stories of the year.

### Awards

The Institute’s 2013 annual report received the top gold prize for overall presentation in the professional body category and honours for cover design (drawings and illustrations) in the international Mercury Awards for Professional Communications.

A number of members, including a past president and a past vice president, were recognized for their services to Hong Kong by the government and awarded the Silver Bauhinia Star, Bronze Bauhinia Star and Medal of Honour.

## FOR A GOOD CAUSE

With their financial expertise, Institute members are volunteering their time to help establish sound treasury systems for community groups so that they can smartly utilize their limited resources to pursue sustainability goals. These volunteers include **Astor Kam**, **Terence Wan** and **Simon Yick**, who act as honorary treasurers for the Friends of the Earth (HK), Green Council and Conservancy Association respectively.



# Making a difference

*While more than 3,200 tonnes of food is thrown away each day creating environmental problems, one in five people in Hong Kong live in poverty. Feeding Hong Kong, an organization aiming to stop hunger in the city, collects surplus food from suppliers for distribution to the poor through partner charities. Building partnerships to make a difference to the society is also the ethos of the Institute, which works with stakeholders and contributes its accounting expertise.*

A Feeding Hong Kong warehouse, to which canned and packaged food items are donated because of approaching sell-by dates, labelling errors, discontinued brands, surplus inventory, minor recipe variations or damaged packaging.



# The Difference CPAs Make

The Institute is not only a member organization committed to ensuring a high standard of service delivery by professional accountants. It is also an important thought leader for the profession in Hong Kong, for the finance and business community and for the world at large.

Institute members occupy crucial decision-making positions in almost every facet of public and business life. Acting in the public interest, we are committed to increasing understanding of our profession – whether related to accounting, tax, auditing, assurance or any other specialized services our members provide – through our considerable resources, unique insights, dedicated tools, original research and committed outreach and communication.

## Technical and business projects

Upholding corporate governance is a vital part of the Institute's mission. Our annual flagship corporate governance event, the Best Corporate Governance Disclosure Awards, was held in early July 2014 with an emphasis on three new and high-priority areas: internal control, board diversity, and environmental, social and governance reporting.

The Institute's commitment to corporate governance education extended to publications, with the final phase of the online disclosure guide, *A Guide to Better Corporate Governance Disclosure*, completed in April 2014.

We engage in high-level discussions with government officials who implement and advise on policy in critical areas. Each year, representatives meet with Hong Kong's Commissioner of Inland Revenue and senior staff of the Inland Revenue Department. A detailed record of each meeting is published, covering the most critical issues concerning tax practitioners.

Important projects are being developed in-house, such as a comprehensive financial controllership programme. The Institute also draws on its many specialized members and partners to publish and revise essential guidebooks, manuals and other literature. The Institute is seeking to update the *Hong Kong Corporate Insolvency Manual* (published in 2002)

and its companion volume, *Hong Kong Personal Insolvency Manual* (2003).

## Advocacy

The Institute regularly makes submissions to the government and other stakeholders on matters of policy where the profession has the expertise to contribute.

For example, we submitted budget proposals to Hong Kong's Chief Executive and Financial Secretary and held a press conference to publicize our recommendations. On budget day, a press release was issued and the media interviewed Institute representatives. A budget commentary forum was also held that evening.

Other taxation-related consultations in which the Institute was involved covered comprehensive double taxation avoidance and tax information exchange agreements. Proposals were made to the IRD on tax treatment of court-free amalgamations under the new Companies Ordinance.

The Institute also made proposals on a variety of other topics, including the development of a real estate investment trust market in Hong Kong; reviews of connected transaction rules; improvements to the corporate insolvency law; the abscondee regime under the Bankruptcy Ordinance; and the establishment of an effective resolution mechanism for financial institutions in Hong Kong.

A submission was made to a Legislative Council Bills subcommittee on fees and deposits in relation to bankruptcy and winding-up proceedings. Comment was also provided to the government's Joint Financial Intelligence Unit on its anti-money risk questionnaire for the profession.

Elsewhere in Hong Kong, Institute representatives took part in major policy consultation meetings, including with Hong Kong Exchanges and Clearing on proposals to review the corporate governance code in relation to internal controls; the Financial Services and the Treasury Bureau on proposals for a corporate rescue framework; and the Securities and Futures Commission



on sponsors' liability for prospectuses under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Internationally, the Institute has been actively involved with the International Ethics Standards Board for Accountants on revisions to its proposals on reporting of non-compliance with laws and regulations. We also helped develop and commented on various International Federation of Accountants papers and projects, including a consultation draft for an international framework on good governance in the public sector and a discussion and consultation paper on the role and expectations of a chief financial officer.

Through its Forensics Interest Group, the Institute reviewed and commented on a United Nations Global Compact guide on anti-corruption risk assessment and furnished input into a judiciary practice direction, which is part of a pilot scheme for electronic discovery in the courts.

Input was also provided on proposed global management accounting guidelines issued by the Chartered Institute of Management Accountants and the American Institute of CPAs, and in response to various requests regarding regional negotiations and agreements on accounting services provided to Hong Kong's World Trade Organization partners.

### External liaison

The Institute was represented on the Official Receiver's Office's Admission Committee, Appeal Panel for the Panel A Scheme and Service Advisory Committee, as well as the Companies Registry's Customer Liaison Group.

We also sat on the joint liaison committee on taxation, an informal government advisory committee on tax, and liaised with the Legislative Council functional constituency representative, Kenneth Leung, on various professional issues.

During the year, the Institute held its second annual meeting with China's State Administration of Taxation in Beijing to discuss practical issues affecting Hong Kong businesses and individuals. The third annual meeting took place on 25 July 2014.

Inaugural liaison meetings were held with the Guangdong Provincial Office of the SAT and the Guangdong Provincial Local Taxation Bureau in November 2013.

We also held a meeting with the China Certified Tax Agents Association and hosted a visit by representatives of the Mongolian Association of Certified Tax Consultants in May 2014.

### Community projects and other activities

A new social responsibility programme, "CPAs for NGOs," was launched to mobilize Institute members to act as Accountant Ambassadors to help small non-governmental organizations improve their financial reporting and governance.

The programme held its first corporate governance seminar series with the Hong Kong Council of Social Service on 9 May. More than 100 NGO representatives attended the first instalment, which covered best practices in fundraising management.

This year's mentorship programme for secondary school students organized with Caritas Hong Kong was concluded with a case presentation competition on 10 May. The six-month programme also included workshops on public speaking and visits to accounting firms.

The Institute received a "10 years+ caring organization" award from the Hong Kong Council of Social Service for its inspiring corporate social responsibility initiatives supported by Accountant Ambassadors.

We also participated in the government's "Future Stars" programme to assist young people from less privileged families to prepare for their careers.

The Institute's "Rich Kid, Poor Kid" road show and storytelling sessions continued to be popular and useful, reaching hundreds of primary and secondary school students this year. The programme, which began in 2005, sees CPAs share their core skills in money management with students.



# Balancing life

*Hong Kong is blessed with its density in the sense that outdoor recreational facilities – from country parks to beaches to coastal bicycle trails – are within reach. People in the city embrace all kinds of leisure activities with their families during holidays to help relieve stresses from work. As accounting is a demanding profession, the Institute is acutely aware of the importance of work-life balance and supports members with a host of networking, sports and leisure programmes throughout the year.*

Children play in the mouth of the Wang Tong River at Silver Mine Bay Beach, Lantau.





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# Being Good Corporate Citizens

Corporate social responsibility and sustainability reporting are increasingly important and the Institute has an on-going programme to educate its members and the wider business community about developments in these areas.

Hong Kong Exchanges and Clearing introduced voluntary environmental, social and governance reporting for listed companies last year, while internationally regulators and, increasingly, investors are requiring companies to provide information on top of what is included in traditional annual reports.

The Institute is looking forward to being involved in the next stage of this initiative, which will bring Hong Kong further in line with reporting requirements in other jurisdictions. The support of and efforts made by the Institute's Sustainability and Integrated Reporting Advisory Group is crucial for us to maintain a presence in this area.

Working with other parties, the Institute contributed to a guidebook on the application of HKEx's ESG reporting, participated in CSR events held by other bodies, organized relevant continuing professional development programmes for members and published related articles in *A Plus* magazine. The Institute also promoted and hosted the launch of reporting frameworks from the International Integrated Reporting Council and the Global Reporting Initiative, and has remained engaged with the Prince's Accounting for Sustainability Project in the United Kingdom.

To show support for the value of CSR reporting, the Institute's annual report this year is the first to include information based on HKEx's ESG reporting guidelines.

### Workplace quality

All human resource policies are regularly reviewed by the Remuneration Committee to ensure compliance with relevant ordinances.

All fringe benefits provided to Institute staff meet or exceed the requirements under the Employment Ordinance. As a caring employer that supports family-friendly employment practices encouraged by the government, marriage leave and paternity leave entitlements have been available since October 2012. Regular functions such as an annual tour, Christmas party and spring dinner are organized for staff and their family members.

The turnover rate (excluding involuntary resignation) for the period from 1 July 2013 to 30 June 2014 was 21.39 percent. This is comparable to the average figure in Hong Kong of 20.1 percent in 2013 cited by the Hong Kong Institute of Human Resource Management.

Employees are the Institute's most important asset. It is the Institute's philosophy to equip them with the skills and knowledge they need, now and in the future, for better job performance and to fulfil their potential.

Employees can enrol in training programmes organized by the Institute with full sponsorship and apply for sponsorship for job-related external training to enhance their skills and knowledge. Informative courses and events held in 2013-14 included plain English writing for technical staff, a briefing on amendments to the Mandatory Provident Fund Schemes Ordinance and a leadership and management development programme.

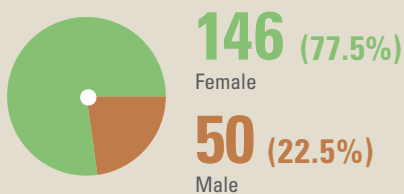
All employees at associate director grade and above underwent an average of 51 hours of training during the year, while 31 of the 151 employees at manager grade or below enrolled in other training programmes.

### Environmental protection

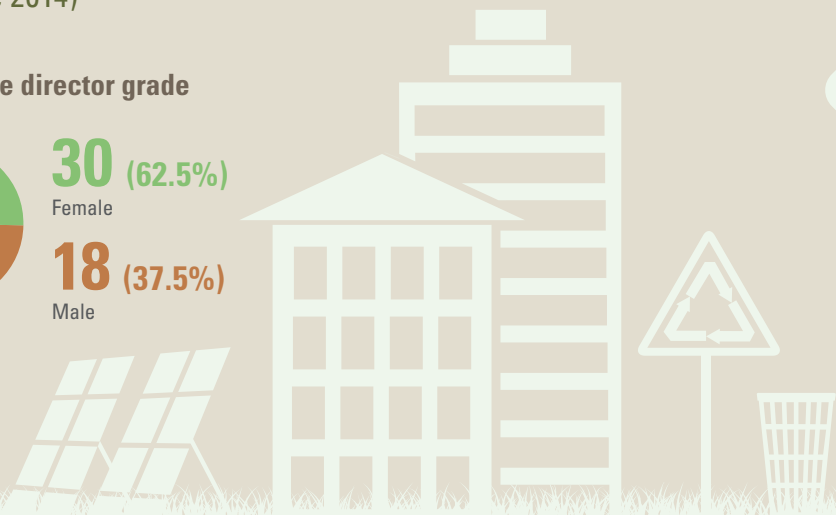
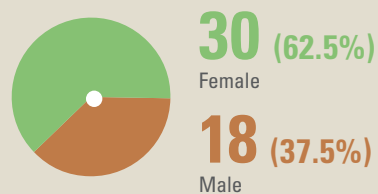
The Institute encourages the sustainable use of resources by implementing various energy saving and efficiency measures across the office, such as reducing electricity consumption by educating and reminding staff to turn off lighting after work or when training and meeting rooms are not in use.

## Headcount (including part-time staff, as of 30 June 2014)

### Full-time staff



### At associate director grade or above





In addition, halogen spotlights have been replaced with LED spotlights in the boardroom, conference room, VIP room and part of the lobby on the 37th floor of Wu Chung House. The office is divided into different lighting-control zones to maximize energy saving.

Paper consumption is another key environmental concern and the Institute has implemented a number of measures to reduce its use and promote the reuse of wastepaper.

For example, electronic or automated internal administrative processes are in place to reduce paper records, while copiers have password-protected meters. Marketing brochures are printed only on an on-demand basis. Electronic communication is used for newsletters, while 80 percent of *A Plus* readers have switched to the digital edition to read the magazine on their smart devices.

Facilities are available to collect paper, plastic, toner and ink cartridges for recycling, while envelopes are reused for internal distribution.

Some electrical office appliances already comply with recognized certification schemes on energy saving performance and all replacement appliances meet the standards for grade 1 energy efficiency as determined by the Electrical and Mechanical Services Department.

An application has been made for the energy audit service offered by Hong Kong Electric to review the office's energy savings in order to identify areas for improvement.

### Operating practices

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

There is a centralized system to process and maintain progress of all incoming enquiries, whether from members, students or

the general public. The Communications Department monitors the system every workday and dispatches enquiries to relevant departments. To ensure enquiries are promptly addressed, the system has a built-in mechanism to issue automatic reminders to responsible staff after eight days for outstanding tasks.

The Compliance Department has standard procedures in place to handle complaints against members and students to ensure the Institute performs its statutory functions. The information is posted on the Institute website so that all parties know their rights and responsibilities.

The Institute is also in the process of developing a whistle-blowing arrangement to further strengthen its corporate governance.

### Community involvement

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

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

- CPAs for NGOs, which involves seminars on corporate governance issues and the pairing up of CPAs to visit small NGOs to advise on their financial management.
- “Rich Kid Poor Kid,” in which CPAs visit schools to teach students the value of money and how to spend, save and share.
- Free Public Advisory Service Scheme, which is a weekly session for the general public to come to our office to talk to CPAs.
- Smart Way Forward, a mentorship programme co-organized by the Institute and Caritas Hong Kong, in which CPAs advise secondary school students on their studies and career aspirations.

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



# Council



## Elected members

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

## Immediate Past President

15. Susanna Chiu

## Government-appointed lay members

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

## Co-opted members

20. Gary C. Biddle
21. Richard Tse

## Ex-officio members

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

## Chief Executive and Registrar

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



# Committees and Working Groups

## Statutory

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

## Chairmen and convenors

Russell Coleman  
Chow Ka Ming, Anderson  
Richard George  
Richard Tse  
Mabel M.B. Chan

## Non-statutory

Audit Committee  
Auditing and Assurance Standards Committee  
Corporate Finance Committee  
Ethics Committee  
Financial Reporting Standards Committee  
Governance Committee  
HKIAAT Board  
Insolvency SD Vetting Committee  
Investment 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

## Chairmen and convenors

Wong Tak Wai, Alvin  
Dennis Ho Chiu Ping  
Chan Peng Kuan, Tony  
Leung Kwok Ki, Alden  
Catherine Morley  
Edward K.F. Chow  
Cho Lung Pui Lan, Stella  
Johnson Kong  
Andrew Fung  
Ronald Kung  
Clement Chan  
Cheung Wing Han, Ivy  
Tsai Wing Chung, Philip  
Tam Wing-pong  
Andrew Fung  
Bruno Arboit  
Melissa Brown  
Tim T.L. Lui  
Chan Yuen Fan, Florence

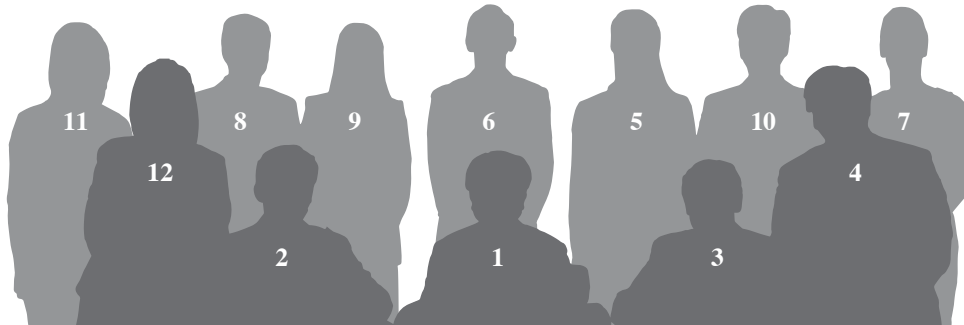
## Panels and working groups

Audit Profession Reform Advisory Group  
Audit Profession Reform Working Group  
Banking Regulatory Liaison Group  
Continuing Professional Development Advisory Panel  
CPA Qualifying Process Reform Working Group  
Editorial Advisory Group  
Insurance Regulatory Liaison Group  
Investment Funds Regulatory Liaison Group  
Mainland Development Strategies Advisory Panel  
Professional Accountants in Business Leadership Panel  
Professional Standards Monitoring Expert Panel  
Securities Regulatory Liaison Group  
Small and Medium Practitioners Leadership Panel  
Sustainability and Integrated Reporting Advisory Group  
Young Members Group

## Chairmen and convenors

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

# Management Team



## Chief Executive and Registrar

1. Ding Wai Chuen, Raphael

## Executive Directors

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

## General Counsel

4. Donald Leo

## Directors

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



# Independent Auditor's Report

To the members of

## **Hong Kong Institute of Certified Public Accountants**

*(Incorporated in Hong Kong under the Professional Accountants Ordinance)*

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 48 to 77, 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 2014, 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 2014, 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

18 September 2014

#### **Yip Ngai Shing**

Practising Certificate number: P05163

# Statements of Financial Position

At 30 June 2014

	Note	Group		Institute	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Non-current assets</b>					
Fixed assets	4	<b>184,823</b>	189,917	<b>184,719</b>	189,592
Interests in subsidiaries	5	-	-	-	-
Deferred tax assets	6	-	-	-	-
		<b>184,823</b>	189,917	<b>184,719</b>	189,592
<b>Current assets</b>					
Inventories		<b>831</b>	1,073	<b>828</b>	1,068
Receivables	7	<b>2,251</b>	2,401	<b>3,129</b>	3,303
Deposits and prepayments		<b>6,593</b>	4,803	<b>6,308</b>	4,569
Time deposits with original maturities over three months		<b>197,759</b>	71,271	<b>168,491</b>	49,327
Cash and cash equivalents	8	<b>81,946</b>	175,242	<b>69,226</b>	153,216
		<b>289,380</b>	254,790	<b>247,982</b>	211,483
<b>Current liabilities</b>					
Subscriptions and fees received in advance	9	<b>(69,045)</b>	(67,269)	<b>(66,700)</b>	(64,514)
Payables and accruals	10	<b>(33,902)</b>	(44,422)	<b>(31,685)</b>	(41,771)
Current tax liabilities		<b>(5,777)</b>	(929)	<b>(5,777)</b>	(929)
		<b>(108,724)</b>	(112,620)	<b>(104,162)</b>	(107,214)
<b>Net current assets</b>		<b>180,656</b>	142,170	<b>143,820</b>	104,269
<b>Non-current liabilities</b>					
Deferred tax liabilities	6	<b>(70)</b>	-	<b>(70)</b>	-
		<b>365,409</b>	332,087	<b>328,469</b>	293,861
<b>Funds and reserve</b>					
General fund		<b>210,673</b>	189,268	<b>179,641</b>	156,943
Capital fund	11	<b>154,838</b>	142,928	<b>148,828</b>	136,918
Exchange reserve		<b>(102)</b>	(109)	-	-
		<b>365,409</b>	332,087	<b>328,469</b>	293,861

Approved by the Council on 18 September 2014

**Clement Chan**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar



# Statements of Comprehensive Income

For the year ended 30 June 2014

	<i>Note</i>	<b>Group</b>		<b>Institute</b>	
		<b>2014</b>	2013	<b>2014</b>	2013
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Subscriptions and fees	12	<b>136,287</b>	130,207	<b>133,716</b>	127,105
Other revenue	13	<b>96,646</b>	96,057	<b>91,220</b>	90,290
Total revenue		<b>232,933</b>	226,264	<b>224,936</b>	217,395
Other income	14	<b>19,386</b>	14,220	<b>20,843</b>	15,921
Expenses	15	<b>(225,996)</b>	(237,518)	<b>(218,163)</b>	(227,400)
<b>Surplus before tax</b>	16	<b>26,323</b>	2,966	<b>27,616</b>	5,916
Income tax charge	17	<b>(4,918)</b>	(948)	<b>(4,918)</b>	(929)
<b>Surplus</b>		<b>21,405</b>	2,018	<b>22,698</b>	4,987
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		<b>7</b>	7	<b>-</b>	-
<b>Comprehensive income</b>		<b>21,412</b>	2,025	<b>22,698</b>	4,987

Approved by the Council on 18 September 2014

**Clement Chan**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar

# Statements of Changes in Funds and Reserve

For the year ended 30 June 2014

	2014						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861
Surplus	21,405	-	-	21,405	22,698	-	22,698
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	21,405	-	7	21,412	22,698	-	22,698
Capital levy from members and students	-	11,910	-	11,910	-	11,910	11,910
<b>At the end of the reporting period</b>	<b>210,673</b>	<b>154,838</b>	<b>(102)</b>	<b>365,409</b>	<b>179,641</b>	<b>148,828</b>	<b>328,469</b>
	2013						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total 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



# Statements of Cash Flows

For the year ended 30 June 2014

	Group		Institute	
	2014	2013	2014	2013
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>				
Surplus before tax	<b>26,323</b>	2,966	<b>27,616</b>	5,916
Adjustments for:				
Allowance for obsolete inventories	<b>12</b>	132	<b>11</b>	125
Depreciation	<b>12,444</b>	12,029	<b>12,236</b>	11,800
Loss on disposal of fixed assets	<b>93</b>	94	<b>58</b>	94
Obsolete inventories written off	<b>7</b>	27	<b>7</b>	27
Uncollectible amounts written off	<b>5</b>	20	<b>5</b>	20
<b>Operating cash flows before working capital changes</b>	<b>38,884</b>	15,268	<b>39,933</b>	17,982
Decrease/(Increase) in inventories	<b>223</b>	(239)	<b>222</b>	(236)
Decrease/(Increase) in receivables	<b>145</b>	(841)	<b>169</b>	(51)
(Increase)/Decrease in deposits and prepayments	<b>(1,786)</b>	571	<b>(1,739)</b>	609
Increase in time deposits with original maturities over three months	<b>(126,488)</b>	(71,271)	<b>(119,164)</b>	(49,327)
Increase in subscriptions and fees received in advance	<b>1,776</b>	4,377	<b>2,186</b>	4,316
(Decrease)/Increase in payables and accruals	<b>(10,514)</b>	9,762	<b>(10,086)</b>	9,598
<b>Cash utilized in operations</b>	<b>(97,760)</b>	(42,373)	<b>(88,479)</b>	(17,109)
Net tax (paid)/refunded	-	(7)	-	12
<b>Net cash utilized in operating activities</b>	<b>(97,760)</b>	(42,380)	<b>(88,479)</b>	(17,097)
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	<b>(7,446)</b>	(2,476)	<b>(7,422)</b>	(2,297)
Sale proceeds from disposal of fixed assets	<b>1</b>	-	<b>1</b>	-
<b>Net cash utilized in investing activities</b>	<b>(7,445)</b>	(2,476)	<b>(7,421)</b>	(2,297)
<b>Cash flows from financing activities</b>				
Capital levy received	<b>11,910</b>	11,432	<b>11,910</b>	11,432
<b>Net decrease in cash and cash equivalents</b>	<b>(93,295)</b>	(33,424)	<b>(83,990)</b>	(7,962)
Cash and cash equivalents at the beginning of the reporting period	<b>175,242</b>	208,658	<b>153,216</b>	161,178
Exchange difference in respect of cash and cash equivalents	<b>(1)</b>	8	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>81,946</b>	175,242	<b>69,226</b>	153,216

8

# Notes to the Financial Statements

For the year ended 30 June 2014

## 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 2013 financial statements. The following HKFRSs, which are applicable to the Group and become effective for the current year, have been early adopted in prior years:

HKAS 19 (2011)	“Employee Benefits”
HKAS 27 (2011)	“Separate Financial Statements”
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, HKFRS 9 “Financial Instruments” (including relevant additions and amendments issued up to 30 June 2013), which is applicable to the Group and not yet effective, has been early adopted in prior years.

#### **b. New/revised HKFRSs that were issued during the current year and after 30 June 2014**

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 new/revised HKFRSs issued after 30 June 2014 and up to the date of approval of these financial statements are not early adopted by the Group, and even adopted, have no significant impact, except for HKFRS 15 “Revenue from Contracts with Customers” which will affect the timing of recognition of income from examination.

#### **c. Basis of consolidation and subsidiaries**

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

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

#### **d. Financial instruments**

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value



and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

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

#### **e. Impairment of financial assets**

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

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

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

#### **f. Derecognition of financial assets and financial liabilities**

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

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

#### **g. Impairment of non-financial assets**

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

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

#### **h. Fixed assets**

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

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

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

The estimated useful lives of fixed assets are as follows:

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

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

#### **i. Operating leases**

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

#### **j. Inventories**

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

#### **k. Cash and cash equivalents**

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

#### **l. Provisions**

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

value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### **m. Capital levy**

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

#### **n. Foreign currency translation**

##### *(i) Functional and presentation currency*

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

##### *(ii) Transactions and balances*

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

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

#### **o. Revenue recognition**

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

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

First registration fees are recognized on entitlement.

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

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

#### **p. Income tax**

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

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

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



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

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

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

#### **q. Employee benefits**

##### *(i) Short term employee benefits*

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

##### *(ii) Retirement benefits costs*

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

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

##### *(iii) Employee leave entitlements*

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

#### **r. Related parties**

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

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

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

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

- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).**
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).**

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

### 3. Financial instruments by category

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

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Financial assets – measured at amortized cost</b>				
Accounts receivable, net of charges for impairment	<b>2,251</b>	2,401	<b>2,112</b>	2,232
Amounts due from subsidiaries	-	-	<b>1,017</b>	1,071
Time deposits with original maturities over three months	<b>197,759</b>	71,271	<b>168,491</b>	49,327
Cash and cash equivalents	<b>81,946</b>	175,242	<b>69,226</b>	153,216
	<b>281,956</b>	248,914	<b>240,846</b>	205,846
<b>Financial liabilities – measured at amortized cost (note 10)</b>				
Payables	<b>6,230</b>	9,311	<b>6,068</b>	9,103
Amounts due to a subsidiary	-	-	<b>50</b>	50
Accruals	<b>14,757</b>	13,936	<b>13,568</b>	12,602
	<b>20,987</b>	23,247	<b>19,686</b>	21,755

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

##### 2014

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



## 2013

	<b>Leasehold land held for own use under finance leases</b>	<b>Buildings held for own use</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Group</b>					
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	<u>149,486</u>	<u>25,960</u>	<u>7,393</u>	<u>7,078</u>	<u>189,917</u>
At cost	184,670	43,255	23,530	28,898	280,353
Accumulated depreciation and impairment	<u>(35,184)</u>	<u>(17,295)</u>	<u>(16,137)</u>	<u>(21,820)</u>	<u>(90,436)</u>
	<u>149,486</u>	<u>25,960</u>	<u>7,393</u>	<u>7,078</u>	<u>189,917</u>
<b>Institute</b>					
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	<u>149,486</u>	<u>25,960</u>	<u>7,310</u>	<u>6,836</u>	<u>189,592</u>
At cost	184,670	43,255	23,084	28,093	279,102
Accumulated depreciation and impairment	<u>(35,184)</u>	<u>(17,295)</u>	<u>(15,774)</u>	<u>(21,257)</u>	<u>(89,510)</u>
	<u>149,486</u>	<u>25,960</u>	<u>7,310</u>	<u>6,836</u>	<u>189,592</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

	<b>Institute</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
At cost	<b>300</b>	300
Impairment charges	<b>(300)</b>	(300)
	<b>-</b>	-

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

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

(a) Held/controlled directly by the Institute.

(b) Controlled directly by HKIAAT.

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

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

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

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

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

The use of surplus funds in total of HK\$5,973,000 (2013: HK\$5,839,000) as accumulated by The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

## 6. Deferred tax assets and liabilities

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

	Group				Institute			
	Accelerated tax depreciation	Other temporary differences	Tax losses	Total	Accelerated tax depreciation	Other temporary differences	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2012	(1,564)	1,404	160	-	(1,564)	1,404	160	-
(Charged)/Credited to surplus (note 17)	255	(95)	(160)	-	266	(106)	(160)	-
At 30 June 2013 and 1 July 2013	(1,309)	1,309	-	-	(1,298)	1,298	-	-
(Charged)/Credited to surplus (note 17)	(289)	219	-	(70)	(300)	230	-	(70)
<b>At 30 June 2014</b>	<b>(1,598)</b>	<b>1,528</b>	<b>-</b>	<b>(70)</b>	<b>(1,598)</b>	<b>1,528</b>	<b>-</b>	<b>(70)</b>

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	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated tax depreciation	(12)	(15)	-	-
Other temporary differences	1,185	1,819	-	927
Tax losses	7,978	7,211	-	-
	<b>9,151</b>	<b>9,015</b>	<b>-</b>	<b>927</b>

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



## 7. Receivables

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts receivable	2,378	2,550	2,202	2,344
Amounts due from subsidiaries	-	-	1,017	1,071
	2,378	2,550	3,219	3,415
Charges for impairment (a)	(127)	(149)	(90)	(112)
	<u>2,251</u>	<u>2,401</u>	<u>3,129</u>	<u>3,303</u>

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

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

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At the beginning of the reporting period	149	171	112	134
Recovery of impaired receivables (note 14)	(22)	(22)	(22)	(22)
At the end of the reporting period	<u>127</u>	<u>149</u>	<u>90</u>	<u>112</u>

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

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

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

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Not past due	<b>1,134</b>	354	<b>1,000</b>	321
Within 30 days past due	<b>354</b>	356	<b>1,371</b>	1,362
31 to 90 days past due	<b>171</b>	323	<b>166</b>	252
91 to 180 days past due	<b>76</b>	1,006	<b>76</b>	1,006
181 to 270 days past due	<b>84</b>	139	<b>84</b>	139
Over 270 days past due	<b>432</b>	223	<b>432</b>	223
	<b>1,117</b>	2,047	<b>2,129</b>	2,982
	<b>2,251</b>	2,401	<b>3,129</b>	3,303

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

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

## 8. Cash and cash equivalents

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bank balances				
- Time deposits with original maturities within three months	<b>66,412</b>	145,266	<b>59,068</b>	130,545
- Savings accounts	<b>5,134</b>	7,101	<b>2,497</b>	4,505
- Current accounts	<b>10,329</b>	22,757	<b>7,593</b>	18,074
Cash on hand	<b>71</b>	118	<b>68</b>	92
	<b>81,946</b>	175,242	<b>69,226</b>	153,216

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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Subscription fees received in advance	<b>62,508</b>	60,326	<b>61,525</b>	59,174
Other fees received in advance	<b>6,537</b>	6,943	<b>5,175</b>	5,340
	<b>69,045</b>	67,269	<b>66,700</b>	64,514

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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Payables	<b>6,230</b>	9,311	<b>6,068</b>	9,103
Amounts due to a subsidiary	-	-	<b>50</b>	50
Accruals	<b>14,757</b>	13,936	<b>13,568</b>	12,602
Financial liabilities (note 3)	<b>20,987</b>	23,247	<b>19,686</b>	21,755
Employee benefits obligations	<b>12,915</b>	21,175	<b>11,999</b>	20,016
	<b>33,902</b>	44,422	<b>31,685</b>	41,771

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 at the end of the reporting period based on the contracted undiscounted payments is as follows:

	<b>Group</b>		<b>Institute</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Within 30 days	<b>11,594</b>	16,405	<b>10,334</b>	14,975
Between 31 and 90 days	<b>8,640</b>	5,594	<b>8,634</b>	5,583
Between 91 and 180 days	<b>674</b>	642	<b>641</b>	600
Between 181 and 270 days	-	509	-	500
Over 270 days	<b>79</b>	97	<b>77</b>	97
	<b>20,987</b>	23,247	<b>19,686</b>	21,755

## 11. Capital fund

The Group has two capital funds:

- a. 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.
- b. 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	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Annual subscription fees</b>				
Members	<b>77,929</b>	73,085	<b>77,929</b>	73,085
Practising certificates	<b>21,459</b>	20,339	<b>21,459</b>	20,339
Students	<b>8,377</b>	8,582	<b>7,130</b>	7,100
Firms	<b>10,566</b>	10,233	<b>10,566</b>	10,233
Corporate practices	<b>5,868</b>	5,402	<b>5,868</b>	5,402
Others	<b>1,355</b>	1,478	<b>472</b>	447
<b>First registration fees</b>				
Members	<b>6,123</b>	5,561	<b>6,123</b>	5,561
Practising certificates	<b>662</b>	832	<b>662</b>	832
Students	<b>2,089</b>	2,542	<b>1,652</b>	1,964
Firms	<b>200</b>	140	<b>200</b>	140
Corporate practices	<b>205</b>	210	<b>205</b>	210
Others	<b>113</b>	186	<b>109</b>	175
<b>Other fees</b>				
Advancement to fellowship	<b>194</b>	260	<b>194</b>	260
Assessment for overseas students	<b>1,147</b>	1,357	<b>1,147</b>	1,357
	<b>136,287</b>	130,207	<b>133,716</b>	127,105

## 13. Other revenue

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Income from examinations	<b>75,765</b>	75,294	<b>70,885</b>	70,494
Income from seminars and courses	<b>18,081</b>	17,340	<b>17,950</b>	16,913
Income from member and student activities	<b>2,295</b>	2,553	<b>2,295</b>	2,553
Accreditation income	<b>505</b>	870	<b>90</b>	330
	<b>96,646</b>	96,057	<b>91,220</b>	90,290

## 14. Other income

	Group		Institute	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FRC special levy (a)	4,862	4,631	4,862	4,631
Events sponsorship	2,833	2,388	2,768	2,388
Disciplinary fines and costs recovery	3,621	1,884	3,621	1,884
Interest income	2,419	1,472	2,102	1,210
Sales of goods	1,661	1,102	1,459	1,004
Income from advertisements placed in the journals	665	924	623	861
Litigation costs recovery (b)	1,500	-	1,500	-
Income from hardcopy surcharge	727	597	654	597
Commission from professional indemnity insurance master policy	583	577	583	577
Commission from affinity credit card programme	158	160	158	160
Royalty income	72	61	-	-
Donations	39	49	27	25
Operating lease income	47	41	47	41
Recovery of impaired receivables (note 7a)	22	22	22	22
Service fees from HKIAAT	-	-	2,308	2,308
Miscellaneous	177	312	109	213
	<b>19,386</b>	<b>14,220</b>	<b>20,843</b>	<b>15,921</b>

### 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\$4,862,000 (2013: HK\$4,631,000) 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\$4,862,000 (2013: HK\$4,631,000) from such member practices and contributed HK\$4,862,000 (2013: HK\$4,631,000) to the FRC (note 16).

### b. Litigation costs recovery

On 17 June 2013, the Court of Final Appeal heard and dismissed an appeal made by a firm and certain individuals (the “Applicants”), one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. The Applicants have no further right to appeal against the decision. An amount of HK\$1,500,000 (2013: Nil) was subsequently received from the Applicants as final settlement for recovery of the legal costs incurred in the Court of Final Appeal proceedings.

During the current year, legal costs incurred by the Institute on this matter were HK\$92,000 (2013: HK\$1,471,000).



## 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:

### 2014

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

2013

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus/ (Deficit) before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus/ (Deficit) before tax HK\$'000
<b>Members</b>						
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)
	142,458	(78,900)	63,558	142,458	(78,651)	63,807
<b>Qualification</b>	83,986	(61,371)	22,615	83,986	(61,072)	22,914
<b>Corporate functions</b>						
Constitution, governance and corporate activities	1,305	(6,797)	(5,492)	1,305	(6,797)	(5,492)
Branding and communication	11	(5,110)	(5,099)	11	(5,110)	(5,099)
Publications	876	(7,560)	(6,684)	876	(7,560)	(6,684)
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)
	4,564	(85,369)	(80,805)	6,872	(87,677)	(80,805)
<b>HKIAAT Group</b>	9,415	(11,644)	(2,229)	-	-	-
<b>HKICPA Charitable Fund</b>	19	(60)	(41)	-	-	-
<b>HKICPA Trust Fund</b>	42	(174)	(132)	-	-	-
<b>Total</b>	240,484	(237,518)	2,966	233,316	(227,400)	5,916

## 16. Surplus before tax

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	<b>119,162</b>	122,841	<b>112,872</b>	114,991
Depreciation	<b>12,444</b>	12,029	<b>12,236</b>	11,800
Contribution to FRC (note 14a)	<b>4,862</b>	4,631	<b>4,862</b>	4,631
Auditor's remuneration	<b>385</b>	373	<b>299</b>	288
Allowance for obsolete inventories	<b>12</b>	132	<b>11</b>	125
Cost of goods sold	<b>486</b>	747	<b>481</b>	742
Donations (a)	<b>10</b>	15	<b>60</b>	65
Exchange loss/(gain)	<b>883</b>	(65)	<b>866</b>	(12)
Loss on disposal of fixed assets	<b>93</b>	94	<b>58</b>	94
Obsolete inventories written off	<b>7</b>	27	<b>7</b>	27
Operating lease expenses	<b>1,188</b>	1,182	<b>536</b>	465
Recovery of obsolete inventories written off	<b>(41)</b>	(10)	<b>(41)</b>	(10)
Recovery of impaired receivables (note 7a)	<b>(22)</b>	(22)	<b>(22)</b>	(22)
Uncollectible amounts written off	<b>5</b>	20	<b>5</b>	20

a. During the current year, the Institute donated HK\$50,000 (2013: HK\$50,000) to The HKICPA Charitable Fund.



## 17. Income tax charge

	Group		Institute	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Current tax</b>				
<i>Hong Kong Profits Tax:</i>				
Current year	4,858	929	4,858	929
Overprovision in prior year	(10)	-	(10)	-
	4,848	929	4,848	929
<i>Mainland China income tax:</i>				
Current year	-	19	-	-
Total current tax charge	4,848	948	4,848	929
<b>Deferred tax</b>				
Origination and reversal of temporary differences	70	(160)	70	(160)
Utilization of recognized tax losses	-	160	-	160
Total deferred tax charge (note 6a)	70	-	70	-
<b>Total tax charge</b>	4,918	948	4,918	929

Hong Kong Profits Tax has been provided at 16.5% (2013: 16.5%) on the estimated taxable surplus arising in Hong Kong during the current year. The Mainland China income tax has not been provided as the related subsidiary incurred a loss for taxation purposes during the current year (2013: the taxable profit of the subsidiary was subject to 25% tax rate).

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

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Surplus before tax	<b>26,323</b>	2,966	<b>27,616</b>	5,916
Tax at the applicable rate of 16.5% (2013: 16.5%)	<b>4,343</b>	489	<b>4,557</b>	976
Tax effect of different tax rate for a subsidiary in Mainland China	<b>(42)</b>	(51)	-	-
Tax effect of non-deductible expenses	<b>951</b>	820	<b>871</b>	736
Tax effect of non-assessable income	<b>(366)</b>	(277)	<b>(347)</b>	(200)
Tax effect of unrecognized tax losses	<b>126</b>	394	-	-
Tax effect of utilization of tax losses previously not recognized	-	(736)	-	(736)
Tax effect of temporary differences not recognized	<b>(84)</b>	274	<b>(153)</b>	153
Overprovision in prior year	<b>(10)</b>	-	<b>(10)</b>	-
Others	-	35	-	-
<b>Total tax charge</b>	<b>4,918</b>	948	<b>4,918</b>	929

## 18. Employee benefits

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	<b>111,867</b>	115,511	<b>106,036</b>	108,267
Provident fund contributions	<b>7,295</b>	7,330	<b>6,836</b>	6,724
	<b>119,162</b>	122,841	<b>112,872</b>	114,991
<b>Number of staff</b>				
At the beginning of the reporting period	<b>208</b>	225	<b>190</b>	203
At the end of the reporting period	<b>196</b>	208	<b>181</b>	190

## 19. Key management personnel remuneration

	<b>Group and Institute</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Chief Executive and Registrar</b>		
Salaries and allowances	<b>4,040</b>	3,803
Performance bonus	<b>754</b>	672
Retirement benefits	<b>15</b>	15
	<b>4,809</b>	4,490

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

## 20. Related party transactions

### a. Members of the Institute's Council

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

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

- (i) During the current year, the Institute incurred expenses of HK\$323,000 (2013: HK\$300,000) in respect of services provided by United International College, of which a Council member of the Institute is a member of the senior management, for the promotion of the Institute's qualification programme in Mainland China.
- (ii) During the current year, the Institute incurred expenses of HK\$1,454,000 (2013: HK\$1,574,000) for rental of training rooms and courses provided by Hong Kong Baptist University ("HKBU"), of which a Council member of the Institute is a council member. At 30 June 2014, included in "Payables and accruals" is an amount of HK\$209,000 (2013: Nil) due to HKBU. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.

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\$2,766,000 (2013: HK\$2,657,000) 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 2014, included in "Receivables" of the Institute is an amount of HK\$453,000 (2013: HK\$231,000) due from HKICPA Beijing.



## (ii) The HKICPA Charitable Fund

During the current year, the Institute donated HK\$50,000 (2013: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2014, included in “Payables and accruals” of the Institute is an amount of HK\$50,000 (2013: 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 (2013: HK\$2,308,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$4,175,000 (2013: HK\$5,455,000) 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\$820,000 (2013: HK\$876,000) related to the examination were transferred to the Institute and included in the balance with the Institute. At 30 June 2014, included in “Receivables” of the Institute is an amount of HK\$564,000 (2013: HK\$840,000) due from HKIAAT arising from the services provided.

## 21. Financial risk management

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

### a. Interest rate risk

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

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

	Group		Institute	
	2014	2013	2014	2013
	% p.a.	% p.a.	% p.a.	% p.a.
Time deposits	<b>1.08%</b>	0.68%	<b>1.17%</b>	0.68%
Savings accounts	<b>0.02%</b>	0.01%	<b>0.03%</b>	0.02%

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

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

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Time deposits				
- with original maturities within three months	66,412	145,266	59,068	130,545
- with original maturities over three months	197,759	71,271	168,491	49,327
	<u>264,171</u>	<u>216,537</u>	<u>227,559</u>	<u>179,872</u>
<b>Impact of interest rate deviation</b>				
Change in interest rate by 0.25% (2013: 0.25%)				
- Change in surplus before tax and funds and reserve	<u>660</u>	<u>541</u>	<u>569</u>	<u>450</u>

Time deposits with original maturities over three months carry interest at market rates from 0.7% to 3.15% (2013: 0.5% to 1.24%) per annum and with maturities which range from six to twelve months.

#### b. Credit risk

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

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

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

#### c. Liquidity risk

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

#### d. Foreign currency risk

The 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. At the end of the reporting period, the Group and the Institute have time deposits and bank savings accounts denominated in RMB in total of HK\$47,948,000 (2013: HK\$1,358,000). The exposure to foreign currency risk is primarily limited to the effects of fluctuation in the exchange rate of RMB which is not expected to be significant.

## 22. Capital management

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

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

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

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

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

## 23. Operating lease commitments

The Group and the Institute had operating leases on premises at two industrial and one office buildings at 30 June 2014 and 2013. The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	1,027	878	318	235
Between one and five years	71	59	25	18
	<b>1,098</b>	937	<b>343</b>	253

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of the acquisition of computer equipment contracted but not provided for in the financial statements	3,524	1,645	3,494	1,645



# 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 79 to 85, which comprise the statement of financial position at 30 June 2014, 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 2014, 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

18 September 2014

### **Yip Ngai Shing**

Practising Certificate number: P05163

# Statement of Financial Position

At 30 June 2014

	<i>Note</i>	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Current assets</b>			
Other receivables	4	<b>13,838</b>	2,815
Time deposits with original maturities over three months		<b>2,775,444</b>	-
Cash and cash equivalents	5	<b>1,117,562</b>	4,055,556
		<u><b>3,906,844</b></u>	<u>4,058,371</u>
<b>Net assets</b>			
		<u><b>3,906,844</b></u>	<u>4,058,371</u>
<b>Accumulated funds</b>			
		<u><b>3,906,844</b></u>	<u>4,058,371</u>

Approved by the Trustees on 18 September 2014

**Clement Chan**  
*Trustee*

**Ronald Kung**  
*Trustee*

**Susanna Chiu**  
*Trustee*

**Wong Hong Yuen**  
*Trustee*

# Statement of Comprehensive Income

For the year ended 30 June 2014

	<i>Note</i>	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Revenue</b>			
Donations from third parties		-	6,113
Interest income		<b>37,409</b>	36,101
		<u><b>37,409</b></u>	<u>42,214</u>
<b>Expenses</b>			
Grants to members	6	<b>(186,876)</b>	(167,076)
Legal and professional fee		-	(5,113)
Bank charges		<b>(2,060)</b>	(1,570)
		<u><b>(188,936)</b></u>	<u>(173,759)</u>
<b>Deficit</b>			
		<b>(151,527)</b>	(131,545)
<b>Other comprehensive income</b>			
		<u>-</u>	<u>-</u>
<b>Comprehensive income</b>			
		<u><b>(151,527)</b></u>	<u>(131,545)</u>

# Statement of Changes in Accumulated Funds

For the year ended 30 June 2014

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Accumulated funds</b>		
At the beginning of the reporting period	<u>4,058,371</u>	4,189,916
Deficit	(151,527)	(131,545)
Other comprehensive income	<u>-</u>	-
Comprehensive income	<u>(151,527)</u>	(131,545)
<b>At the end of the reporting period</b>	<u><b>3,906,844</b></u>	<u>4,058,371</u>

# Statement of Cash Flows

For the year ended 30 June 2014

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Cash flows from operating activities</b>		
Deficit	(151,527)	(131,545)
Increase in other receivables	(11,023)	(2,641)
Decrease in amount due to the Institute	-	(44,850)
Increase in time deposits with original maturities over three months	<u>(2,775,444)</u>	-
<b>Net cash utilized in operating activities and net decrease in cash and cash equivalents</b>	<u>(2,937,994)</u>	(179,036)
Cash and cash equivalents at the beginning of the reporting period	<u>4,055,556</u>	4,234,592
<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>1,117,562</b></u>	<u>4,055,556</u>

*Note*

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# Notes to the Financial Statements

For the year ended 30 June 2014

## 1. Principal activities

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

## 2. Principal accounting policies

### a. Basis of preparation

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

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

#### *Impairment of receivables*

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 financial statements. HKFRS 13 “Fair Value Measurement”, which is applicable to the Trust Fund and becomes effective for the current year, has been early adopted in prior years.

In addition, HKFRS 9 “Financial Instruments” (including relevant additions and amendments issued up to 30 June 2013), which is applicable to the Trust Fund and not yet effective, has been early adopted in prior years.

### b. New/revised HKFRSs that were issued during the current year and after 30 June 2014

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 new/revised HKFRSs issued after 30 June 2014 and up to the date of approval of these financial statements are not early adopted by the Trust Fund, and even adopted, have no significant impact on the result and the financial position.

### c. Financial instruments

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



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

**d. Impairment of financial assets**

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

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

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

**e. Derecognition of financial assets**

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

**f. Cash and cash equivalents**

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

**g. Revenue recognition**

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

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

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

**h. Related parties**

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

- (i) A person or a close member of that person's family is related to the Trust Fund if that person:
  - (a) has control or joint control over the Trust Fund;
  - (b) has significant influence over the Trust Fund; or
  - (c) is a member of the key management personnel of the Trust Fund or of a parent of the Trust Fund.

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

### 3. Financial instruments by category

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

	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Other receivables	<b>13,838</b>	2,815
Time deposits with original maturities over three months	<b>2,775,444</b>	-
Cash and cash equivalents	<b>1,117,562</b>	4,055,556
	<b><u>3,906,844</u></b>	<u>4,058,371</u>

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

### 4. Other receivables

	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Short term loan to a member of the Institute	<b>37,170</b>	37,170
Interest receivable	<b>13,838</b>	2,815
	<b>51,008</b>	39,985
Impairment charge on loan to a member of the Institute	<b>(37,170)</b>	(37,170)
	<b><u>13,838</u></b>	<u>2,815</u>

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

	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
<b>At the beginning and end of the reporting period</b>	<b><u>37,170</u></b>	<u>37,170</u>

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

## 5. Cash and cash equivalents

	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Bank balances		
- Time deposit with original maturity within three months	<b>1,014,377</b>	4,033,436
- Savings account	<b>27,790</b>	13,679
- Current account	<b>75,395</b>	8,441
	<b><u>1,117,562</u></b>	<u>4,055,556</u>

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. Grants to members

During the current year, grants totaling HK\$186,876 (2013: HK\$167,076) were paid to help alleviate members of the Institute facing financial hardship.

## 7. Financial risk management

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

### a. Interest rate risk

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

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

	<b>2014</b>	2013
	<b>% p.a.</b>	% p.a.
Time deposits	<b>1.13%</b>	0.76%
Savings accounts	<b>0.001%</b>	0.035%

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

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

	<b>2014</b>	2013
	<i>HK\$</i>	<i>HK\$</i>
Time deposits		
- with original maturities within three months	<b>1,014,377</b>	4,033,436
- with original maturities over three months	<b>2,775,444</b>	-
	<b><u>3,789,821</u></b>	<u>4,033,436</u>
<b>Impact of interest rate deviation</b>		
Change in interest rate by 0.25% (2013: 0.25%)		
- Change in deficit and funds	<b><u>9,475</u></b>	<u>10,084</u>

Time deposits with original maturities over three months carry interest at market rates from 1.20% to 1.50% (2013: Nil) per annum and with maturities which range from six to twelve months.

#### **b. Credit risk**

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

The 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.

## **8. 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 87 to 92, which comprise the statement of financial position at 30 June 2014, 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 2014, 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

18 September 2014

**Yip Ngai Shing**  
Practising Certificate number: P05163

# Statement of Financial Position

At 30 June 2014

	<i>Note</i>	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Current assets</b>			
Amount due from the Institute	4	<b>50,000</b>	50,000
Cash and cash equivalents	5	<b>1,336,314</b>	1,393,957
<b>Net assets</b>		<b>1,386,314</b>	1,443,957
<b>Accumulated funds</b>		<b>1,386,314</b>	1,443,957

Approved by the Trustees on 18 September 2014

**Clement Chan**  
*Trustee*

**Susanna Chiu**  
*Trustee*

**Ding Wai Chuen, Raphael**  
*Trustee*

# Statement of Comprehensive Income

For the year ended 30 June 2014

	<i>Note</i>	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Revenue</b>			
Donations	6	<b>62,260</b>	67,960
Interest income		<b>347</b>	394
		<b>62,607</b>	68,354
<b>Expenses</b>			
Sponsorship		<b>(119,500)</b>	(59,200)
Bank charges		<b>(750)</b>	(900)
		<b>(120,250)</b>	(60,100)
<b>(Deficit)/Surplus</b>		<b>(57,643)</b>	8,254
<b>Other comprehensive income</b>		<b>-</b>	-
<b>Comprehensive income</b>		<b>(57,643)</b>	8,254

# Statement of Changes in Accumulated Funds

For the year ended 30 June 2014

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Accumulated funds</b>		
At the beginning of the reporting period	<u>1,443,957</u>	<u>1,435,703</u>
(Deficit)/Surplus	(57,643)	8,254
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>(57,643)</u>	<u>8,254</u>
<b>At the end of the reporting period</b>	<u><u>1,386,314</u></u>	<u><u>1,443,957</u></u>

# Statement of Cash Flows

For the year ended 30 June 2014

	<b>2014</b> <i>HK\$</i>	2013 <i>HK\$</i>
<b>Cash flows from operating activities</b>		
(Deficit)/Surplus	(57,643)	8,254
Decrease in amount due from the Institute	<u>-</u>	<u>125</u>
<b>Net cash (utilized in)/generated from operating activities and net (decrease)/increase in cash and cash equivalents</b>	<u>(57,643)</u>	<u>8,379</u>
Cash and cash equivalents at the beginning of the reporting period	<u>1,393,957</u>	<u>1,385,578</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u><u>1,336,314</u></u>	<u><u>1,393,957</u></u>

*Note*

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# Notes to the Financial Statements

For the year ended 30 June 2014

## 1. Principal activities

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

## 2. Principal accounting policies

### a. Basis of preparation

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 financial statements. HKFRS 13 “Fair Value Measurement”, which is applicable to the Charitable Fund and becomes effective for the current year, has been early adopted in prior years.

In addition, HKFRS 9 “Financial Instruments” (including relevant additions and amendments issued up to 30 June 2013), which is applicable to the Charitable Fund and not yet effective, has been early adopted in prior years.

### b. New/revised HKFRSs that were issued during the current year and after 30 June 2014

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 new/revised HKFRSs issued after 30 June 2014 and up to the date of approval of these financial statements are not early adopted by the Charitable Fund, and even adopted, have no significant impact on the result and the financial position.

### c. Financial instruments

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

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

### d. Impairment of financial assets

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



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

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

#### **e. Derecognition of financial assets**

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

#### **f. Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank.

#### **g. Revenue recognition**

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

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

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

#### **h. Related parties**

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

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

### 3. Financial instruments by category

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

	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Amount due from the Institute	<b>50,000</b>	50,000
Cash and cash equivalents	<b>1,336,314</b>	1,393,957
	<b><u>1,386,314</u></b>	<u>1,443,957</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

	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Bank balances		
- Savings accounts	<b>1,246,838</b>	1,357,241
- Current accounts	<b>89,476</b>	36,716
	<b><u>1,336,314</u></b>	<u>1,393,957</u>

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

### 6. Donations

	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Donation from the Institute	<b>50,000</b>	50,000
Other parties	<b>12,260</b>	17,960
	<b><u>62,260</u></b>	<u>67,960</u>

## 7. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2013: HK\$50,000) from the Institute. At 30 June 2014, the amount due from the Institute is HK\$50,000 (2013: HK\$50,000) and has been settled after the end of the reporting period.

## 8. Financial risk management

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

### a. Interest rate risk

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

### b. Credit risk

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

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

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

## 9. Capital management

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

## Photos in this report

The Institute would like to thank the following people and organizations for making the photo essay possible:

**Time to Grow**

(<http://www.timetogrow.hk>; [hello@timetogrow.hk](mailto:hello@timetogrow.hk)), cover page

**Dragontail Farm**

(<http://djlatter.wix.com/dragontail-farm>; 5167-2174), p.8

**Plastic Free Seas**

(<http://plasticfreeseas.org>), p.12

**Hong Kong Wetland Park**

(<http://www.wetlandpark.gov.hk>; 3152-2666), p.14

**Buddhist Compassion Relief Tzu Chi Foundation (Hong Kong)**

(<http://hk.tzuchi.org>; 2516-6168), p.23

**Tai Mo Shan Trail Crew**

(<http://www.meetup.com/Tai-Mo-Shan-Trail-Crew>), p.26

**HKUST Department of Civil and Environmental Engineering**

(<http://www.ce.ust.hk>; 2358-6306), p.29

**Redress**

(<http://redress.com.hk>; 2861-0360), p.32

**Feeding Hong Kong**

(<http://feedinghk.org>; 2205-6568), p.37

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