

ANNUAL  
REPORT  
2016

# FASHIONING A FUTURE FOR HONG KONG



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

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# F o r e w o r d

“Fashioning a future for Hong Kong” is what the Institute has been doing especially as the profession, like many other sectors, is being transformed by technology. Among other things, this report highlights how we are supporting both our current and prospective members to be ready for the future.

Hong Kong’s fashion industry is equally changing. Formerly a garment-heavy sector, it has evolved into a high-profile hub for finance, logistics, sourcing and design. Through dedication and resourcefulness, our fashion professionals have paved a bright future for the industry.

Accounting and fashion are both a demanding craft, with the allure and quality of output reflecting the expert skills involved. In this report, we feature photo essays that explore the similarity between accounting and apparel, and the great potential of Hong Kong’s fashion industry today and beyond, as well as short stories about the involvement of our members.

## ON THE COVER

The cover picture was taken at Centrestage, Hong Kong’s new fashion event spotlighting on local and international talents. Organized by HKTDC in September 2016, the show highlighted brands like KOYO by Hong Kong-based designer William Cheung, as pictured. The cover photo, together with all other photos in this report, were taken by Colin Beere.

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Message from  
**the President**  
&  
**the Chief Executive**

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A professional photograph of two individuals standing in a modern office hallway. On the left is Raphael Ding, a man with glasses wearing a dark pinstriped suit, white shirt, and red tie. On the right is Ivy Cheung, a woman with short dark hair wearing a blue and black patterned dress with sheer black sleeves and black heels. They are standing on a polished white floor next to a wooden podium. The background features glass-walled offices and a wooden wall with framed portraits.

**Raphael Ding**  
Chief Executive

**Ivy Cheung**  
President



*The third annual membership survey results showed the profession keeps on prospering with members having stable incomes, positive job prospects and mobile roles.*

Dear members,

As we approach our annual general meeting in December, we would like to give you a brief update on what the Institute has achieved in delivering its strategy for members and the wider profession, as well as a perspective on the future. More details about our work are covered in respective sections of this report.

### **Supporting members' growth**

The third annual membership survey results showed the profession keeps on prospering with members having stable incomes, positive job prospects and mobile roles.

It also affirmed the important contribution of our members to Hong Kong – the majority of CPAs in business work in leadership positions of pillar industries, while CPAs who work in audit and provide specialized services, support the smooth operation of our capital market and Hong Kong's role as a trusted business and commercial hub.

The survey also reflected that many members would like to develop the skills needed in new and non-traditional CPA roles amid a changing business environment.

To support them, we offered more than 3,278 CPD hours and registered 63,204 enrolments during the year. Of particular note, we piloted the Financial Controllership Programme to groom future business leaders, with encouraging feedback from participants.

We also emphasized soft skills training, covering topics such as creative thinking, adaptability and problem-solving, since such attributes are critical to career advancement.

Other in-depth CPD series focusing on specific business functions, including corporate finance, strategic management, and environmental, social and governance reporting, were also held

to support members in building up their knowledge.

### **Evolving with times**

The Institute understands it needs to evolve in its training of the next generation. The consultation on reforming the Qualification Programme was issued, aiming to train accountants for the future, and provide more opportunities for students of different backgrounds to become a CPA.

Launched in October 2015, the Institute's official Facebook page attracted more than 2,000 "likes" and achieved a post reach of more than 20,000 in the first two weeks. The page was a much-needed addition to match our tech-savvy members. In addition, we have set up a LinkedIn page to engage with members and stakeholders specifically on accounting, auditing and ethical issues.

The Institute is committed to investing in the future and we are conscious of the great responsibility we hold in stewarding the wise use of our cash reserve. We have posted a surplus for this year due to some unexpected and external reasons. However, as most of the projects under the Sixth Long Range Plan are already up and running, there is no immediate need to use the surplus. The Council therefore has decided to give a one-off subscription reduction of HK\$180 to each current member (prorated for members enjoying concessionary rates) for the calendar year 2017, and would like to encourage them to invest this amount back into their professional training. At the same time, the Institute will holistically review the long-term funding structure, and the appropriate level of cash reserve, as we prepare for the next long range plan.

The Council has also decided to reduce the capital levy on property from HK\$300 to HK\$150 from 2017

onwards. This again is a result of careful consideration by the Council that the Institute has already recouped a major portion of the amount invested in existing properties, and it is fair to spread the capital levy contribution over a longer time period so that new members are also involved.

### Reinforcing ties

The provisional regulations on CPA practices providing auditing services regarding the listing of Chinese enterprises outside of China, and the access of audit working papers continued to be our top issues of focus.

In addition to fostering closer connections with Mainland authorities and partners, we organized activities for members to develop business networks. The 10th Cross-Straits, Hong Kong and Macau Accounting Profession Conference was one such event and featured the theme of information technology, with Financial Secretary John Tsang as the guest of honour.

The extension of scope of the Closer Economic Partnership Arrangement was a breakthrough, allowing members who meet certain criteria to become partners of CPA firms throughout China.

Working with the International Federation of Accountants, the Institute has been advocating balanced financial regulation for the healthy development of business. In view of this aim, 10 principles have been developed for adoption by regulators around the world.

Several far-reaching standards like IFRS 9, IFRS 15 and Responding to Non-Compliance with Laws and Regulations will be implemented within the next two years. The Institute has provided various resources to prepare members and the business community for the changes.

With ICAEW, we held a conference to look into the future of the profession; with the Institute of Chartered

*Working with the International Federation of Accountants, the Institute has been advocating balanced financial regulation for the healthy development of business.*



Accountants of Scotland, we held a seminar on business ethics; and with the International Auditing and Assurance Standards Board, we reinforced our engagement when it held its full board meeting at the Institute in September 2016.

### Local initiatives and advocacy

We continued to work with the government to address outstanding issues regarding audit regulation reform, while also supporting the preparation of a bill for the Legislative Council.

The Institute's vision of making a difference by influencing from the top has been furthered as we work with the Hong Kong Council of Social Services to visit boards of NGOs.

This year saw a new initiative called the President's Dinner, where leading figures are invited to share professional and broader issues affecting Hong Kong. Former LegCo president Jasper Tsang was our first guest.

The Best Corporate Governance Awards programme headed into its 17th successful year and continued to advocate for high standards. Three new awards and a self-nomination for the significant improvement awards were added to encourage wider participation.

We maintain a high level of media exposure to offer thought-leadership, allowing the public to hear our views on topics such as the government budget, Belt and Road, and the widespread Panama papers saga. Our investor education programme with TVB was a highlight, covering basic accounting concepts for the general public.

### Looking to the future

Overall, a solid foundation has been laid out as we start to chart the Seventh Long Range Plan. The profession is evolving rapidly due to technology and the Institute is committed to help members prepare for the future. Members also need to adapt quickly to take on more roles, and pursue every opportunity to build up their strengths.

We would like to thank the two vice presidents, the Council and committee members for their contributions. The Institute still has much to accomplish in the years to come, but with your support, we can continue to achieve our goals with unwavering purpose.

Sincere regards,

**Ivy Cheung**  
President

**Raphael Ding**  
Chief Executive



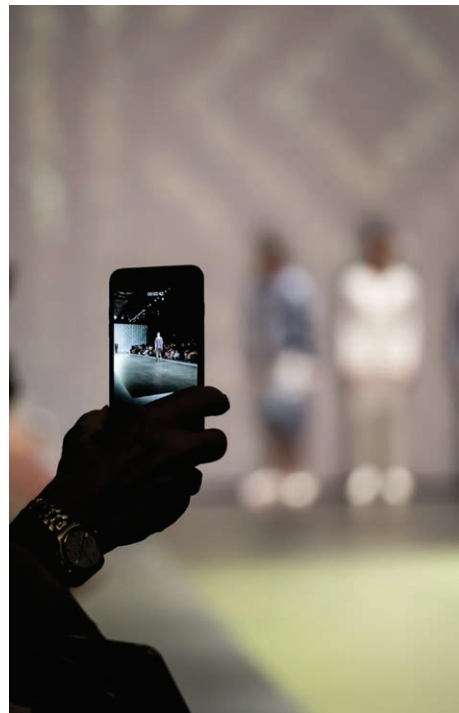




## EXHIBITING PASSION

Once a garment manufacturing centre, Hong Kong has rebuilt its apparel industry into a high-profile platform for design, logistics, sourcing and financing. Transformation is also taking place in the accounting profession as it takes the lead to leverage the latest technology to provide avant-garde service to clients.

In this picture, an aspiring designer's collection is showcased at the Centrestage, a new fashion event organized by the HKTDC in September 2016 to provide a platform for local and international designers to exhibit their work.



# Constitution, Governance and Finance

**S**erving as a statutory organization and acting in the public interest, the Institute takes corporate governance very seriously. During the year, we remained committed to preserving the confidence of our members, their clients, and the public.

Our internal processes are reviewed regularly in order to maintain a high standard. As a result, enhanced information technology continues to be a critical tool for us to increase efficiency, security and accountability of our internal operations.

Employees are among our most important assets so we continue to focus on creating a corporate culture that not only attracts top talented staff, but also keeps and develops them. This is particularly critical in an increasingly competitive environment of employee recruitment. By doing so, we can continue to deliver high quality services to our members and the profession.

## The Council

The Council is the governing body of the Institute and makes decisions on overall strategy, policy and direction, and oversees the Institute's operations and governance. It is also the decision-making body on matters stipulated in the Professional Accountants Ordinance.

This year, the Council consists of 22 members, all of whom are non-executive members and not-compensated. Fourteen are CPAs directly elected by the membership, including the immediate past president who is serving his remaining elected term and provides continuity. There are two ex-officio members from the government and four lay members, who have high standing in the society, appointed by the government to provide independent views. Two additional CPAs were co-opted by the Council to round out its skills.

By combining members from within and outside the accounting profession, the Council attains a balanced perspective when debating and tackling issues. To prevent conflict of interest,

*Our internal processes are reviewed regularly in order to maintain a high standard. As a result, enhanced information technology continues to be a critical tool for us to increase efficiency, security and accountability of our internal operations.*

strict rules are applied to forbid members and other committee members from taking part in discussions or decisions on matters in which he or she has a real or apparent conflict of interest. Additionally, Council members are not allowed to disclose any information that they may come across while performing their duties as Council members.


Council meetings are held on a monthly basis, with a break in August. Attendance of individual members can be viewed on the Institute website at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

## Monitoring committees

The Institute monitoring committees include the Audit Committee and four accountability boards. Together, they ensure the Institute management and relevant committees are operating within the strategies and policies set by the Council.

The **Audit Committee** is appointed by the Council and consists of five members, who help the Council fulfil its governance and oversight responsibilities in relation to financial reporting and internal controls. It reports to the Council and holds regular meetings with management and both the internal and external





auditors in order to effectively discharge its delegated responsibilities.

The **four accountability boards** oversee regulation, standards and quality, professional qualification, and member services of the Institute. Each board reviews the work of management and relevant committees to make certain that operations of the Institute are performed in accordance with the Council's direction. 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.

The **Governance Committee** looks into the processes of Council meetings, Council elections, election of president and vice presidents, co-option of Council members, and committee appointments, as well as the role of the Institute in public elections. It is responsible for the continued development and review of existing policies and rules governing the Institute. Recommendations will also be made to the Council on improving objectivity and efficiency in the Institute's governance.

The **Nomination Committee** makes recommendations to the Council on the appointment of the Institute committees and the co-option of Council members. On behalf of the Council, the committee approves nominations of Institute members or staff to positions in external local and overseas bodies.

The **Remuneration Committee** assists the Institute in building a strong human

resource function. It makes recommendations to the Council on annual pay adjustments, performance bonuses and other employment terms and conditions.

When deciding the overall remuneration of general staff, the Council looks to the recommendations of the committee and the chief executive, who makes decisions for individual staff based on documented assessment.

The remuneration of directorate staff is determined by the Council, based on the recommendation of the leadership team, comprising the president, vice presidents and the chief executive, and the parameters set by the committee. Input on performance appraisals of directorate staff is also obtained from Council members and relevant committee chairs.

The remuneration of the chief executive is determined based on an annual performance review by all Council members. Remuneration at all levels is determined according to staff performance and market information obtained through an annual salary survey. In the first quarter of 2016, the Institute conducted a salary survey by obtaining necessary information from relevant and comparable organizations to ensure our salary structure is in line with market conditions. Necessary adjustments in our annual pay review have been implemented as a result.

The **Registration and Practising Committee** is a statutory committee that examines the qualifications of applicants for registration as CPAs and advises the Council as to whether to accept or reject such applications.

It also advises the Council on applications by CPAs for practising certificates, and makes inquiries necessary to determine whether

### LINKING OPPORTUNITY

Hong Kong's fashion trend saw major changes over the past few decades – from the finely tailored outfits that dominated the 1950s and 60s to the waves of ready-to-wear pop culture clothing post 1970s. The establishment of the Hong Kong Trade Development Council in 1966 was a major turning point for Hong Kong apparel history, with large scale events like the Hong Kong Ready-to-Wear Festival and annual shows like Hong Kong Fashion Week being organized, elevating Hong Kong's status to become an international fashion centre. Institute members **May Tan** and **Andrew Weir** are also HKTDC Council members, where they help plan and supervise the organization's operations and services.

applicants have the experience required by the Professional Accountants Ordinance to hold such certificates.

The committee also advises the Council on the acceptance or rejection of applications for specialist designations and other matters as required.

**Execution and finance**

The chief executive, who is appointed by the Council, is responsible for the execution of the Council’s policies and decisions. The chief executive oversees the Institute’s activities and day-to-day operations, and serves as a secretary and policy adviser to the Council.

The chief executive works with a management team of two executive directors, a general counsel and 12 department and section heads. Cohesively, they manage around 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, the executive directors and heads of corporate communications, finance and operations, legal, and member support, holds monthly meetings to make management decisions and consider reports and recommendations to the Council. The president and two vice presidents are ex-officio members of the committee.

*Careful stewardship of our finance has allowed us to maintain a sound financial position to invest in key projects to further develop the profession.*

The Institute continues to manage its financial resource under a prudent principle. In the financial year ended 30 June 2016, we had a surplus of HK\$8 million. Careful stewardship of our finance has allowed us to maintain a sound financial position to invest in key projects to further develop the profession.

The Institute was able to enhance its support to members with a strong establishment of human resource similar to last year. It was able to manage another busy year with changes and challenges stemming from the finalization of the audit regulatory reform, the review of qualification process, commencement of the Financial Controllership Programme, an increase of international and Mainland activities, the revamp of the Professional Accountants Ordinance, and the implementation of other new initiatives under the Sixth Long Range Plan.

**Governance structure**

*Council*

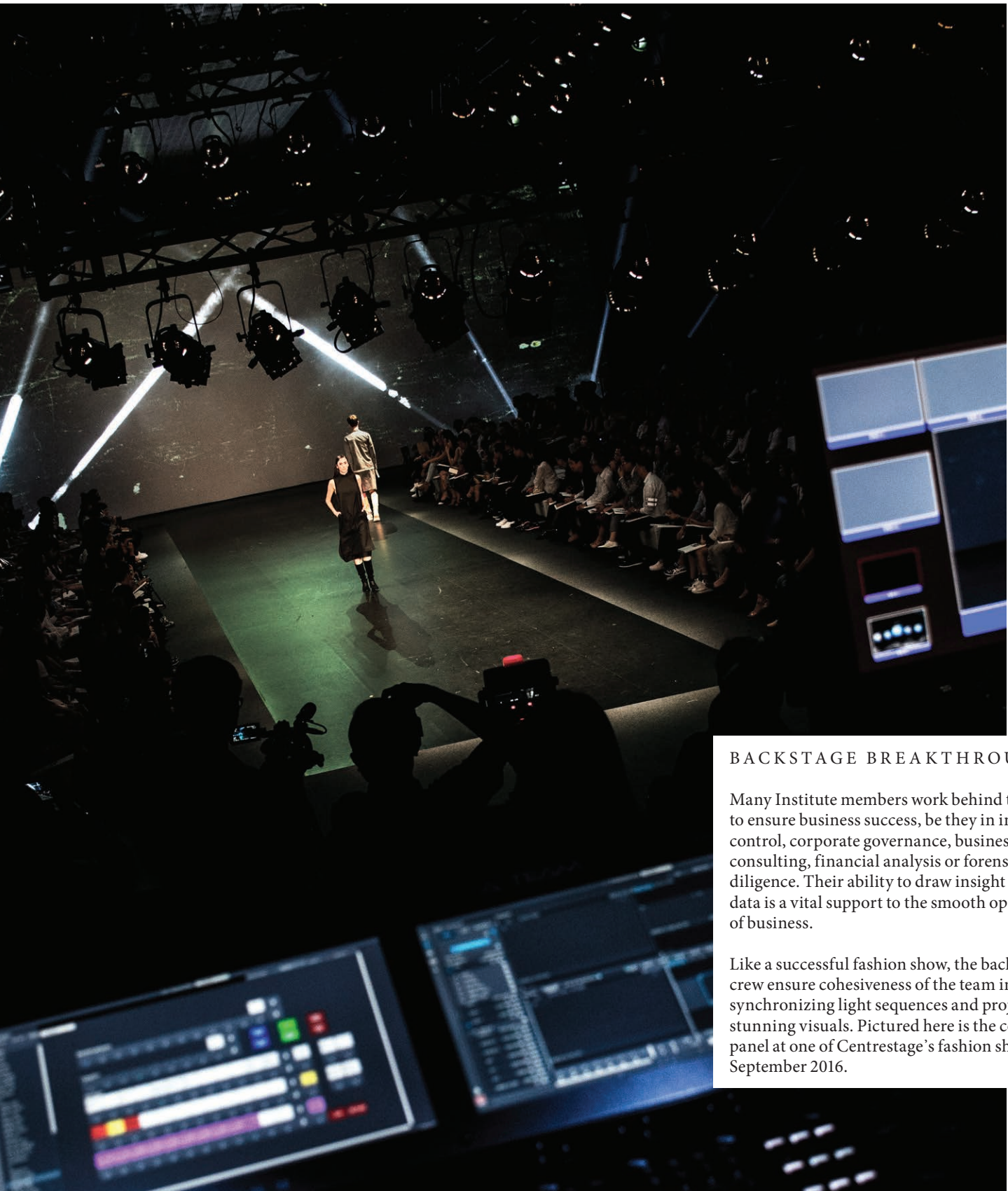
Sets overall strategy and direction

**Advisory committees**

- Governance Committee
- Nomination Committee
- Registration and Practising Committee
- Remuneration Committee

**Monitoring committees**

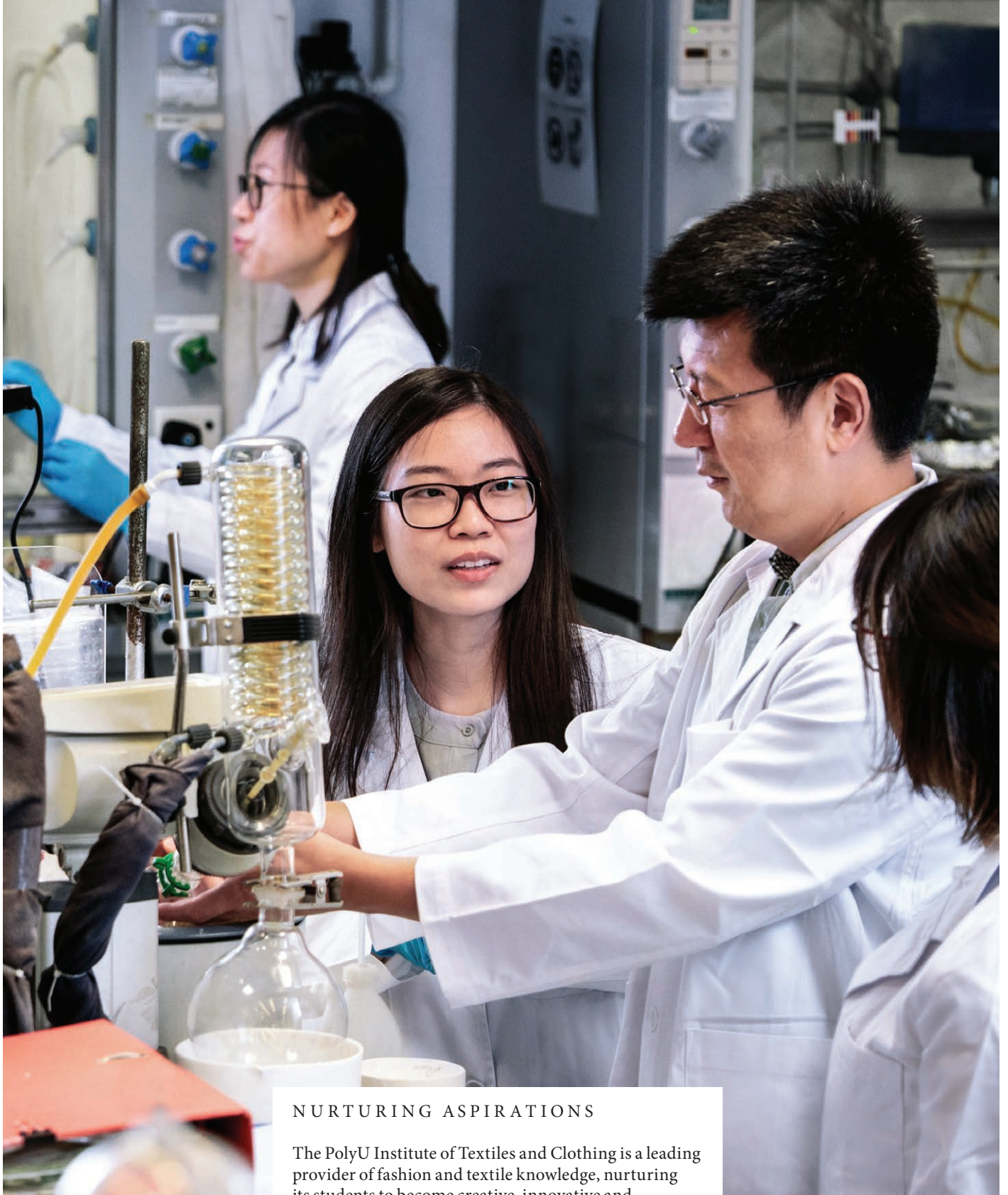
- Audit Committee
- Member Services Accountability Board
- Professional Qualification Accountability Board
- Regulatory Accountability Board
- Standards and Quality Accountability Board



#### BACKSTAGE BREAKTHROUGHS

Many Institute members work behind the scenes to ensure business success, be they in internal control, corporate governance, business consulting, financial analysis or forensic due diligence. Their ability to draw insight out of data is a vital support to the smooth operation of business.

Like a successful fashion show, the backstage crew ensure cohesiveness of the team in synchronizing light sequences and projecting stunning visuals. Pictured here is the control panel at one of Centrestage's fashion shows in September 2016.



### NURTURING ASPIRATIONS

The PolyU Institute of Textiles and Clothing is a leading provider of fashion and textile knowledge, nurturing its students to become creative, innovative and ethical leaders in the field. The Institute, with its new Qualification Programme, is also grooming aspiring accountants to become future professionals.

Pictured here is Associate Professor Bin Fei and his research students at the Material Synthesis and Processing Laboratory, where a rotary evaporator is used to purify flame retardants and smart dyes before being applied to various functional textiles.

# Qualification and Education

**A**spirations and dedication fuel the accounting profession. Demonstrating the strength of our profession, our membership continues to grow every year. In June 2016, membership stood at 40,034, including 5,358 fellow members. The number of member practices grew from 1,763 in 2015 to 1,784 in 2016, including 508 corporate practices.

There are currently 13,552 CPAs who have qualified through the Qualification Programme since its commencement in 1999. The QP has been providing world-class and comprehensive training to equip aspiring accountants with solid accounting knowledge and skills for a successful career in both practice and business, and with the upcoming proposed changes to enhance the qualifying process, it will remain the premier route to becoming a CPA.

## Reforming the qualification process

With changing business environment and international best practices, our QP also needs to evolve to ensure the programme continues to train professional accountants with the required skills, expertise and ethics to uphold Hong Kong as an international business and financial centre. In June, we released a consultation paper outlining proposals on enhancing the CPA qualifying process through the development of a new Qualification Programme.

These proposals for the new QP are built on the best of the existing programme. It will also offer alternative pathways and greater flexibility for students with different educational backgrounds, including sub-degree holders and non-accounting majors, to become CPAs. The aspiring candidates will be trained to think laterally in identifying complex problems and to provide multifaceted solutions – an essential skill necessary for a strong talent pool to maintain the sustainability of the profession.

## Continuing professional development

The Institute is passionate towards helping members keep their skills honed and relevant, which can be accomplished through extensive continuing development

programmes. Throughout the year, the highly attended CPD events covered popular topics including information technology; soft skills; environmental, social and governance reporting;

*The Institute is passionate towards helping members keep their skills honed and relevant, which can be accomplished through extensive continuing development programmes.*

## Membership growth



**4,513** Number of members holding practising certificates

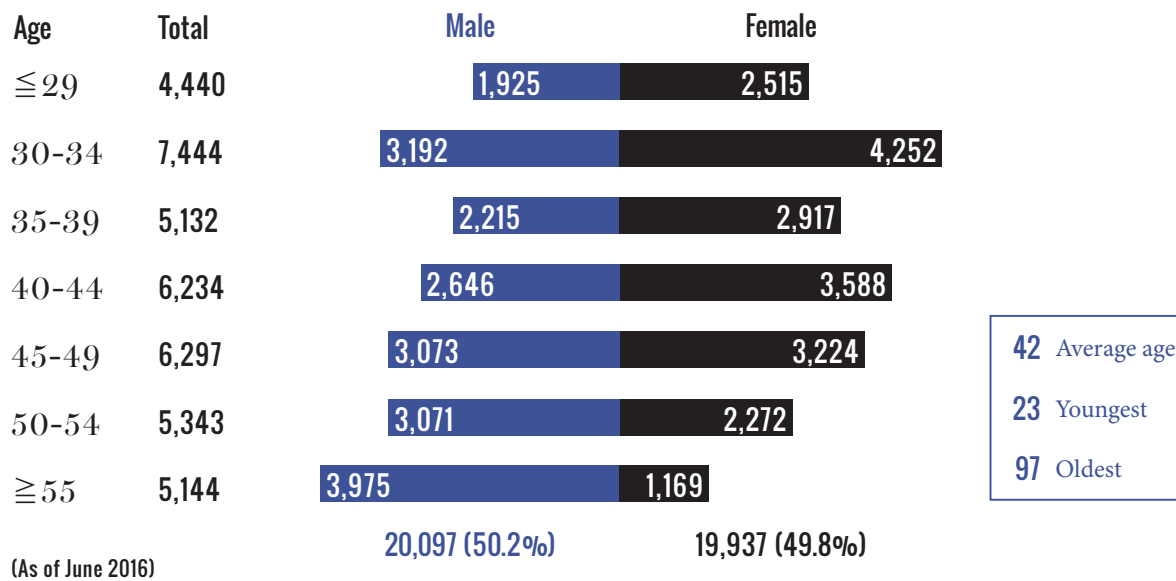
**1,784** Number of firms and corporate practices

**17,120** Number of students

(As of June 2016)



### Membership age distribution (male vs. female)



initial public offering; taxation; valuation; and independent non-executive directorship.

During the year, the CPD events run by the Institute comprised:

- 314 face-to-face events (including nine collaborative events)
- 296 e-learning programmes (54 were collaborative)

A total of 12,988 members attended CPD events this year, including 1,316 attending collaborative programmes, and there were a total of 63,204 enrolments. The events have accumulated approximately 3,278 CPD hours, including 2,059 from collaborative programmes. Additionally, the Institute continues to offer free places at select CPD events to members in need; in the reporting period, 669 free places were taken up.

According to the 2016 membership survey, members ranked analytical skills (20 percent), problem-solving (19 percent), communication (13 percent) and technical skills (11%) as crucial for their current jobs. As a result, events like the Soft Skills Series and Business Leaders Series attracted a high participation rate.

#### Specialist training

To realize its long-term vision to help members strengthen their expertise in specialist fields, the Institute has bolstered its specialist training and qualifications in insolvency and taxation. In the insolvency field, a high number of enrolments were recorded for the training,

with 97 for Preparatory I held during April to May 2016, 80 for Preparatory II held during July to August 2015.

Members wishing to pursue a deeper understanding of insolvency can apply for the Professional Diploma in Insolvency, where they can obtain up-to-date knowledge and skills in the field. The professional diploma had 20 enrolments this year, and since its beginnings in 2000, 365 graduates have been qualified to use “SQ (Insolvency)” after their names.

In the taxation field, the Advanced Hong Kong Tax Course held during August to December 2015 recorded 20 enrolments, and the International Tax Course held during February to June 2016 had 48. Together, these courses form part of the Professional Diploma in Hong Kong Tax and the Professional Diploma in China Tax. As of June 2016, there have been a total of 65 and 69 graduates of these courses respectively.

Another major initiative, the Financial Controllership Programme, was piloted in May, with 31 enrolments. It was launched to provide practical training to members who are planning to move to business or are new to the post. This unique and tailor-made four-month programme was developed with extensive consultation with top-level executives. Participants are provided with insights into the modern role of a financial controller, and on how to add value and efficiency to business through five modules. This programme has yielded promising results.



### Qualification Programme

As of 30 June 2016, there are 17,120 registered students, of whom 1,798 are from the Mainland with 438 being Chinese Institute of CPAs members and 1,360 being Mainland degree holders. Women accounted for 9,676 or 57 percent of the total, while male students made up 7,444 or 43 percent.

There were 875 graduates in the December 2015 session and 724 in the June 2016 session, raising the cumulative number of total QP graduates to 17,052 since the programme's commencement.

The number of QP modules and final examination enrolments has reached a new high, increasing from over 12,000 in 2015 to over 13,000 in 2016. During the year, the Institute awarded scholarships to 82 students of accredited accounting programmes offered by Hong Kong and Mainland tertiary institutions.

There are 100 programmes now recognized by the Institute for direct enrolment to the QP from local, Mainland and overseas tertiary institutions – an increase from 97 in 2015.

As of 30 June 2016, 1,365 employers and 2,106 supervisors have registered as Authorized Employers and Authorized Supervisors respectively with the Institute to develop the skills of budding CPAs. Since the launch of the AE/AS Enhancement Programme in 2008, the Institute has visited a total of 276 AE and AS to provide face-to-face guidance to them.

### Student activities

The annual award ceremony for the top QP students and scholarship recipients of the December 2014 and June 2015 sessions was held with more than 120 guests attending.

The Institute's annual QP case analysis competition in Hong Kong (14th year) and in China (7th year), is a signature event among tertiary institutions in both regions, and has attracted a record turnout this year with more than 770 teams participating.

For students of the HKDSE elective subject Business, Accounting and Financial Studies aspiring to become a CPA, we offer our support through the HKICPA Examination, a well-recognized mock by both students and teachers. This year, the examination has attracted over 7,200 enrolments from nearly 200 secondary schools across Hong Kong.

The Institute organized an annual career forum featuring exhibitions, workshops as well as a panel of speakers to share their work and life experiences and discuss topical issues concerning the accounting profession. A special "Shadow CPA" programme took place as well,

which allowed students to experience the daily work of a CPA. More than 800 university and QP students attended the event.

Aiming to enhance QP students' abilities to prepare for examinations, the Institute has organized a post-exam sharing forum at the end of each examination session. Doing so not only improves students' examination techniques, but also addresses any common problems they may have encountered.

The third career forum in Guangzhou was held jointly with the Guangdong University of Foreign Studies in April 2016, and attended by over 500 university students.

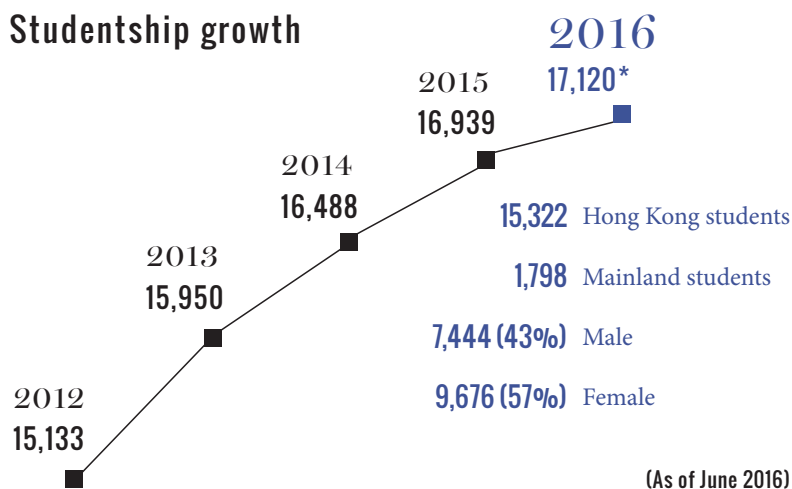
To further foster relationship with the Mainland, the Institute continues its efforts in organizing visits and promotional events for accredited universities and accountancy firms in China, to introduce the features and benefits of obtaining a CPA qualification through the QP.

### Accounting technicians

The Institute's subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered 7,367 new students to its AAT examination since the introduction of its revised framework in 2009. The examination tests students on their accounting knowledge and understanding of professional ethics.

The HKIAAT has accredited 33 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, 1,244 AATs have become eligible for entry to the QP after passing the Professional Bridging Examination.

### Studentship growth



\* Comprising 16,017 (94%) students studying QP and 1,103 (6%) students who participated in a joint examination scheme which ended in 2001.



#### RISING TOGETHER

Whether it is camaraderie or mentorship, accountants cherish such connection as it is a great motivation for both career and personal growth.

In this picture, two students of the PolyU Institute of Textiles and Clothing are working on an assignment in a fashion design studio.





## Standards, Ethics and Regulation

**T**he Institute is committed to full convergence with international standards on financial reporting, auditing, assurance and ethics. This helps ensure the quality of our members' work continues to command public trust and confidence, and maintain Hong Kong's position as an international financial centre.

The Institute is fully engaged in the accounting profession internationally and world standard-setters welcome our views. We actively seek and consider comments and concerns of our members and other stakeholders, and represent them to international standard setting bodies.

This year, we wrote 19 comment letters on international proposals and issued 16 updates to the members' handbook with new and revised standards and interpretations.

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

The Institute took up the chairmanship of the Asian-Oceanian Standard-Setters Group

in November 2013 and successfully completed its term in November 2015. As chair of the group, we were the region's representative on the International Accounting Standards Board's Accounting Standards Advisory Forum, which gave us an excellent opportunity to deepen our dialogue with the IASB and to build on Hong Kong's reputation as an Asian hub of quality financial reporting practice.

We also led regular AOSSG meetings and participated in the group's "centre of excellence for a developing country" programme, which seeks to build standard-setting capacity and capability elsewhere in Asia. We continue to be a key member of AOSSG, maintaining our leadership role in its Chair's Advisory Committee.

During the year, we continued to attend meetings of the IASB's World Standard-Setters and the International Forum of Accounting Standard Setters to discuss our views and input on major projects. We also attended a stakeholder event hosted jointly by the Ministry of Finance and the International Financial Reporting Standards Foundation, and participated in an IFRS workshop for national standard-setters from around the region.

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

Locally, together with the IFRS Foundation, we co-hosted an IFRS conference, which discussed the latest major IFRS projects and implementation of new standards. The conference was attended by close to 200 leaders from the accounting profession, academia and standard-setters from around the world.

This year, we met regularly with the Hong Kong government, regulators, investors and other key stakeholders to discuss implications of new and revised standards and changes

*We actively seek and consider comments and concerns of our members and other stakeholders, and represent them to international standard setting bodies.*

### TAILORING A TREND

Tailoring is one of Hong Kong's long surviving industries and remains as a highlight attraction for many tourists, including Hollywood celebrities, pop stars and political leaders. The industry is facing its own challenges amid its highly demanding nature, the rise of fast fashion and disposable clothing. Despite the trends, many Hong Kong tailors devote themselves to their craft completely in the belief that a quality tailored outfit will always be in fashion. One of them is **Jackson Hui**, Founder of Tailor-M and an Institute member, who works alongside Hong Kong's various tailors and connects them with interested customers via an online platform.



#### A HONED ART

Experience counts in both apparel and accounting. Behind every quality output is many years of training and practice. Pictured here are Manu Melwani of Sam's Tailor and his long-serving staff Mr. Wong, who has been an employee of Sam's since 1979. Together, they have amassed more than 100 years of tailoring experience, having served clients ranging from locals and tourists to international political leaders like former American presidents Ford, Reagan, Bush Sr. and Clinton.

## *The Institute will continue to monitor practice review outcomes and develop new initiatives to help practices improve audit quality.*

in domestic regulatory requirements, such as those brought in by the new Companies Ordinance, to the business community. We also hosted several roundtable events, particularly on the development of a new global standard on insurance contracts. The events provided our local financial services stakeholders the opportunity to discuss their views on the standard directly with the IASB and the Institute.

### **Training and support**

A new initiative this year, we partnered with the Institute of Chartered Accountants in England and Wales to provide our members free access to its International Accounting, Auditing and Ethics, which is an online platform of premium technical resources curated by experts in respective fields. More than 650 members have subscribed to the service.

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

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

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

### **Quality assurance**

As the expression of the Institute's statutory role as regulator of auditors, the Institute operates two quality assurance programmes to monitor the quality of the work of its members.

The practice review programme consists of inspections and reviews of audit practices in Hong Kong. The programme meets international best practices, including giving priority to reviewing practices with listed company clients. During the year, 228 site visits and 38 desktop reviews were carried out and the Practice Review Committee considered 278 reports. Where deficiencies were identified, the committee exercised its powers to direct firms to take remedial actions, require further site visits or recommend disciplinary actions. Five cases proceeded to complaints, while another four cases concerning the audits of listed companies were referred to the Financial Reporting Council.

In 2015, the Institute referred five cross-border engagements to the Supervision and Inspection Bureau of the Chinese Ministry of Finance for review under our memorandum of understanding to extend the coverage of the practice review programme. The Institute will continue to monitor practice review outcomes and develop new initiatives to help practices improve audit quality.

The professional standards monitoring programme reviews published financial statements of Hong Kong listed companies, including those of H-share companies audited by Mainland audit firms. During the year, we reviewed 80 sets of financial statements and sent 43 letters to auditors and members with improvement recommendations. One case was referred to the Financial Reporting Council for investigation of potentially significant non-compliance with professional standards.

The Institute uses the findings from both programmes to publish annual quality assurance reports and articles and host technical education events to provide members with the means to maintain their ethical standards, and the quality of their audit and assurance and financial

reporting services. In addition, an e-seminar and an audit health screening checklist were launched in 2015 to help practices improve audit quality and better prepare for a practice review.

### Compliance

For the Institute to regulate the conduct of its members and maintain public trust, effective complaint handling and disciplinary processes are essential. The Compliance Department deals with complaints concerning ethical and professional conduct of members, member practices and registered students of the Institute. The department also promotes good practice and raises members' awareness of regulatory issues via seminars, publication of articles in *A Plus* and Facebook posts.

When a complaint is received, an initial assessment is carried out by the department before the matter is reported to the Professional Conduct Committee. This committee has powers to dismiss unsubstantiated complaints and adjudicate minor ones.

For more serious complaints, the committee refers the matters to Council with recommendations for appropriate action. For moderately serious cases meeting pre-established criteria, the committee may recommend the offer of a non-negotiable resolution by agreement in lieu of formal disciplinary proceedings. Serious cases are referred to the Disciplinary Panels for determination by an independent committee. All resolutions by agreement and disciplinary orders are published in *A Plus* and on the Institute's website to ensure transparency of the

enforcement process.

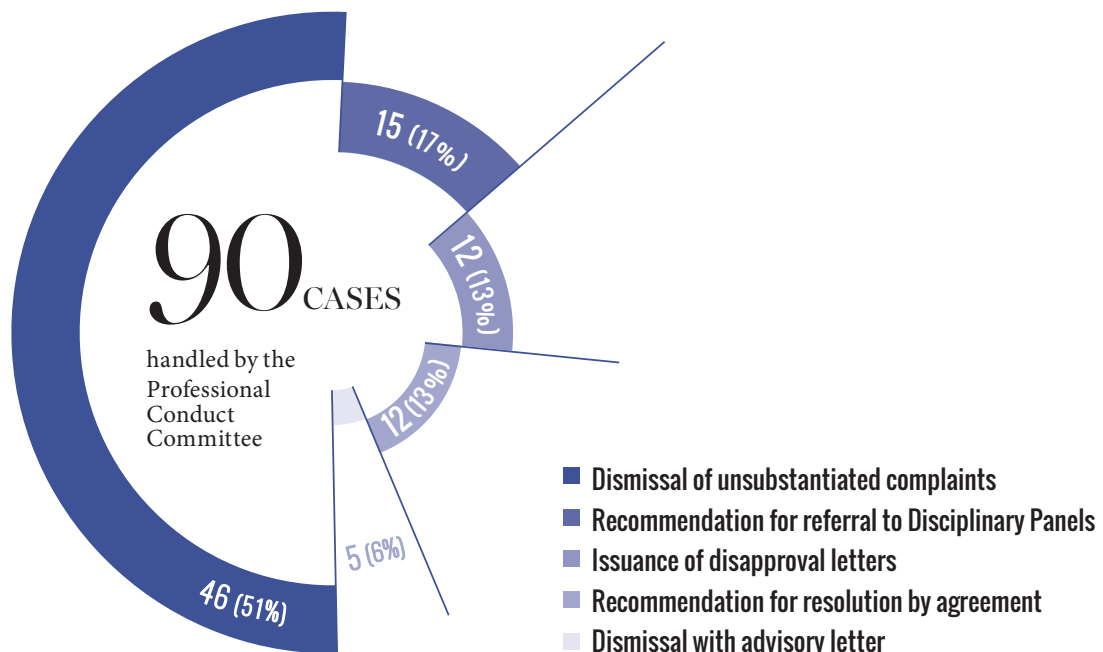
During the year, 96 new complaints were received, bringing the total caseload to 146. The Professional Conduct Committee handled 90 cases (see breakdown from the chart).

At the beginning of the year, 24 disciplinary cases were in progress. During the year, Council referred another 26 cases to the Disciplinary Panels. The Disciplinary Committees concluded 20 cases this year.

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

- 1 request for corrective action by unlicensed practice or person
- 6 reports to police

The Institute's Regulatory Accountability Board ensures that the complaint handling and disciplinary processes of the Institute are dealt with in accordance with policies determined by the Council, and in the public interest. At the end of 2015, the board conducted a process review of the Compliance Department's operations, including the activities of the Professional Conduct Committee and disciplinary proceedings. The results of the review were positive and concluded that the department had adhered to established internal procedures.





#### DELIBERATELY DETAILED

Leaders require vision, ability to execute and attention to detail. Douglas Young (pictured), Founder of G.O.D., has been exemplary in making sure every fabric of his business fits together so that customers enjoy a satisfying experience. It is the same philosophy shared by many Institute members who are leaders in their respective fields. Here, Young is in G.O.D.'s sampling workshop trying on a work-in-progress piece that showcases their quintessentially Hong Kong design elements for their autumn-winter 2016 collection.





# Member Support and Development

**W**hichever path our members choose – be it practice, business or elsewhere – the Institute remains committed to supporting their growth throughout their careers. Outside of work, we strive to promote work-life balance and a healthy lifestyle as it is paramount for a professional to sustain.

## Specialist development

For members interested in developing specialized skills, the Institute has developed specialist training programmes and accreditations, namely, the insolvency specialist designation, the insolvency preparatory courses, the Professional Diploma in Insolvency, the Professional Diploma in Hong Kong Tax and Professional Diploma in China Tax. The depth of these programmes stems from the continued support of the Restructuring and Insolvency Faculty and Taxation Faculty.

During the year, the Institute organized events to allow peer-to-peer sharing for members of the two faculties, such as professional development seminars, cocktails and networking activities, for members to deepen their knowledge and broaden their views.

Following the change of faculty membership year to align with the renewal of Institute membership, the member counts of both faculties have increased significantly. Additionally, the

*Whichever path our members choose – be it practice, business or elsewhere – the Institute remains committed to supporting their growth throughout their careers.*

Restructuring and Insolvency Faculty Executive Committee held an election during November 2015 and welcomed two new members to the committee.

The e-newsletters *The IP's Voice* and *Tax Link* were prepared for these members respectively, to help them stay informed on the latest developments in their fields. The annual Mainland taxation update and Hong Kong taxation update conferences were successfully held with 657 and 950 participants respectively, covering topics such as recent changes in tax legislation and updates on Inland Revenue Department's departmental practice. In particular, during the Mainland conference, a senior official from the State Administration of Taxation shared their requirements on transfer pricing documentation and country-by-country reporting, in relation to the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting initiative.

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

## Professional interest groups

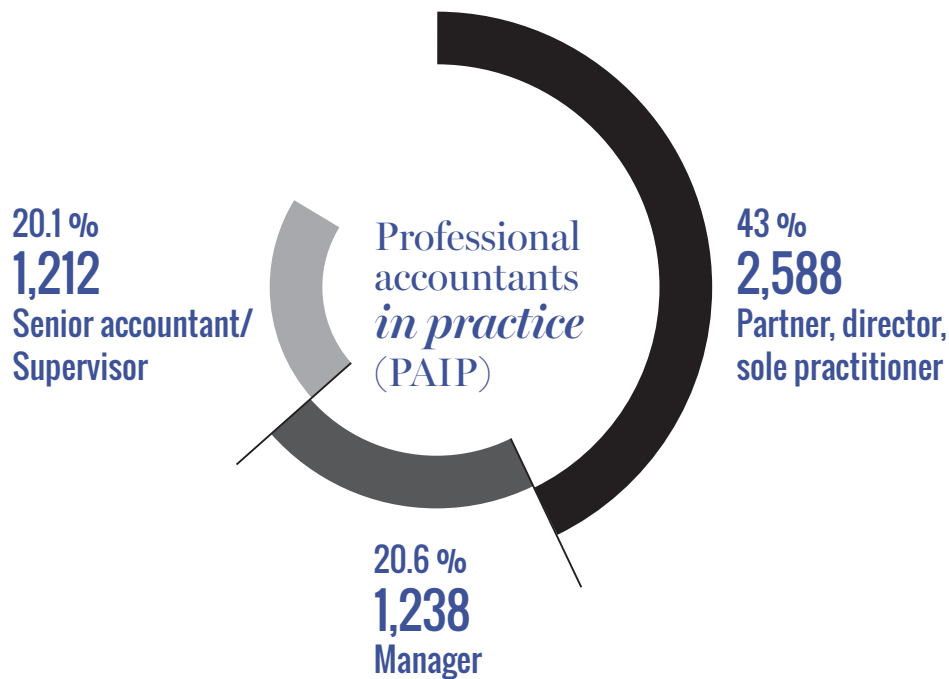
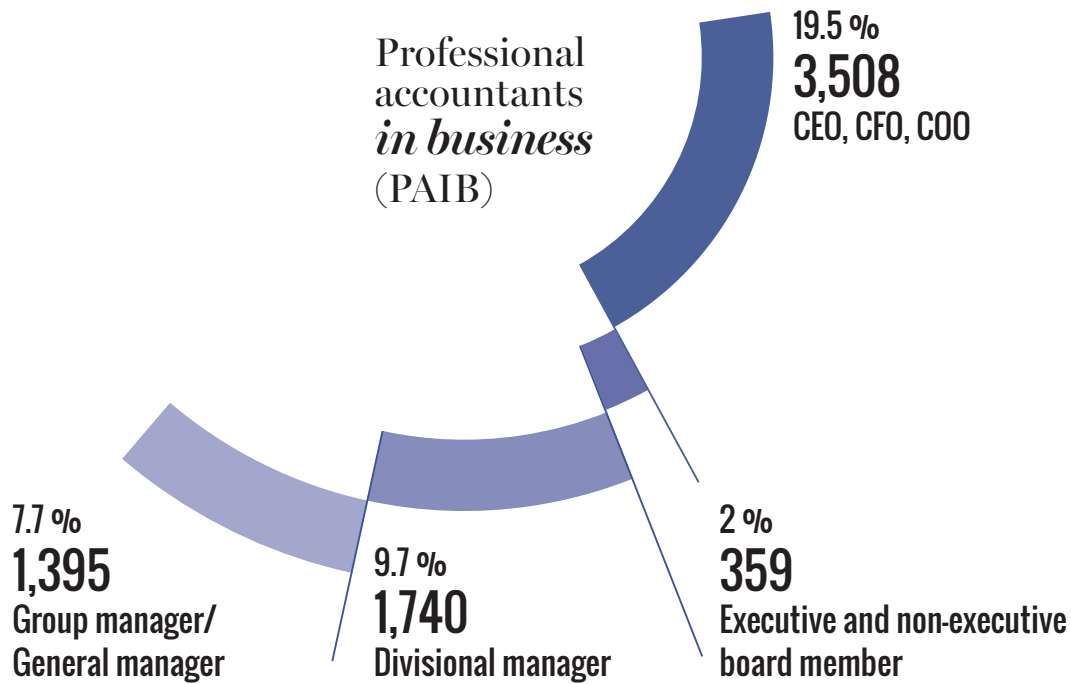
### Corporate finance

Members of the Corporate Finance Interest Group took part in three seminars to discuss topics regarding principles and practices of takeovers, listing of Mainland businesses in Hong Kong, corporate treasury and foreign currency risk management. Approximately 214 members attended each seminar. Meanwhile, an evening talk on how venture capital or private equity investors add value to their investments, combined with networking drinks, attracted 120 participants.

### Financial services

The Financial Services Interest Group organized five seminars that covered a range of topics, including an update on exchange traded funds,

## Members taking up leadership positions



Source: Among 18,032 PAIB and 6,019 PAIP respondents to member census as of June 2016

the evolution from Foreign Account Tax Compliance Act to Common Reporting Standard and how the latter has become a new global standard, investor protection and changes to the professional investors' regime, impact of the new and disruptive technology on the financial services industry, and updates from the Commissioner of Insurance. An average of 186 participants attended each seminar. Elsewhere, a cocktail reception-cum-talk, at which the speaker shared his insights about key opportunities and market challenges in the year ahead, was attended by 100 members.

### Forensics

Following the practice of most other interest groups, the Forensics Interest Group was made free of charge for Institute members, and with the change of membership year to align with the renewal of Institute membership, the number of ForensIG members increased significantly. A series of events were organized during the year, including a well-received spring cocktail and an inaugural debate session on corruption in business. The average attendance exceeded 120. The e-newsletter, *Forensic Update*, continued to provide the latest updates that have an impact on forensic accountants.

### Information technology

Four seminars were organized for the Information Technology Interest Group. Topics comprised: network security and associated vulnerabilities, IT security challenges among small and medium enterprises, using big data analytics and business intelligence to improve cybersecurity, and cybersecurity in Hong Kong and China. The events attracted an average of 118 enrolments each. To give members a deeper understanding of day-to-day cybersecurity, the Institute organized a visit to Network Box – one of the world's leading security service providers. The annual IT conference, the interest group's flagship event, attracted over 560 attendees with the theme "The role of accountants in the digital age."

### Mainland business

The Mainland Business Interest Group held three seminars entitled: "How Chinese family businesses survive beyond three generations," "Debunking the myths of China's growth, RMB policy, and the Hong Kong dollar peg," a joint seminar with Young Members Committee, and

"Cross-border commercial crime investigation under the 'one country, two systems.'" Each seminar attracted an average of 187 enrolments. The Institute also organized a study tour to Guangzhou, allowing members to better understand local businesses and other latest developments. A cocktail reception-cum-talk on how Qianhai differs from other free-trade zones attracted 169 members. Additionally, more than 40 members attended a seminar hosted by the Guangzhou Institute of CPAs on value-added tax in respect of finance, construction, real estate and lifestyle service industries.

### Property, infrastructure and construction

Seminars and site visits were organized for the Property, Infrastructure and Construction Interest Group members. The seminar "Landscape architecture from the perspective of Feng Shui" attracted approximately 200 participants. Site visits were made to the MTR Operations Control Centre in Tsing Yi and Link REIT's Temple Mall North, which gave members further insight about railway management and asset enhancements behind the revitalized mall respectively. In addition, a cocktail reception-cum-talk on housing for the elderly was held, which covered topics such as public housing provisions, reverse mortgage and the concept of "one hour living circle."

### Other support and events

The Institute co-organized seminars on anti-money laundering for accountants with the Narcotics Division of the Security Bureau during October 2015, which discussed the standards of the Financial Action Task Force, and the way forward to combat money laundering and counter terrorism financing.

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

For members interested in more information regarding the Mainland, the Institute has established the China Desk, a free advisory service stationed at the office of the Shenzhen Institute of CPAs. We also facilitated members to subscribe to Mainland accounting and tax journals, yearbooks and study materials to build up the knowledge and better prepare for relevant exams – there have been 274 subscription orders so far.

To provide specific support for a broad and diverse membership that includes members in business, in practice and young members, the Institute has to apply different strategies catering to different circumstances of each group. The Institute held three annual member engagement forums to update them of the latest developments in the accountancy profession and to gauge their views on how the Institute could better meet their needs. Participants found the group discussion format introduced in 2016 effective in providing feedback.

### Small- and medium-sized practitioners

A discussion group gathering was organized for small- and medium-sized practitioners to share their views on a range of topical issues. Two joint seminar-cum-networking lunches were hosted with the Shenzhen Institute of CPAs to discuss the listing of foreign companies in China's new third board, and investment and innovation from an accounting perspective. A study tour to the Nansha free trade zone was organized, together with the Guangzhou Institute of CPAs, where members could interact with their counterparts to explore cooperative opportunities.

The annual SMP symposium featured topics such as tax and Institute updates, post-implementation and practical issues in relation to the Companies Ordinance, practice management, an update on major accounting and auditing standards and practice review. There was also an opportunity for members to meet their Legislative Council representative. The 2015 event was attended by 330 members. Meanwhile, a seminar on compliance matters attracted 300 members.

### Professional accountants in business

A half-day conference was held last year for members who are professional accountants in business. Theming on "Future CFO's DNA," the event took on a new format that focused on experience sharing and group discussion. It was well-received by more than 100 participants. Following the encouraging feedback, the 2016 conference with the topic "Technology – friend or foe?" was scheduled for September.

To foster connections between members and businesses, the Institute organized a "Meeting business partners" gathering for members to exchange views with their business partners. At the first gathering, held in July 2015, a CFO and

an investment banker shared their experience working together through an initial public offering. In addition, the Institute continued to produce the *Inside Business* quarterly newsletter covering useful resources and news.

### Young members

Early last year, the Institute piloted the mentorship programme, which offers our young members the opportunity to boost their career development by learning from experienced members. The programme started its second run from April 2016 to March 2017. About 140 pairs of mentors and mentees were matched.

A career conference was held in October 2015, focusing on career advancement and mobility, with more than 150 attendees. Young CPAs also took part in the Young Coalition Professional Group's youth forum 2015, which focused on "Succession to success: developing next generation leaders."

Additionally, the Institute organized activities jointly with other groups, both internal and external, to help expand young members' networks. A joint seminar with the Mainland Business Interest Group, as aforementioned, covered debunking the myths of China's growth, RMB policy and the Hong Kong dollar peg. A sake networking event with the Hong Kong General Chamber of Commerce along with a joint professional networking drinks hosted by the Young Coalition Professional Group were also held.

### NURTURING POTENTIAL

Since its opening in 1987, Bossini has been one of Hong Kong's most prominent casual wear apparel retailers for all audiences. Apart from creating a relaxed shopping environment for their customers, **Edmund Mak**, CEO of Bossini and an Institute member, is also passionate about the personal growth of his staff members through the Bossini Academy. From frontline staff to those in managerial positions, all can benefit from the diverse training sessions provided and elevate themselves higher in the fashion retail industry.

Other social gatherings and networking events for young members included mooncake making classes, a green planting activity-cum-workshop on environmental, social and governance issues, and a talk on parenting.

Young members looking to learn more about China also attended the study tours to Huizhou in December 2015 and Dongguan in June 2016. A China heritage and cultural class was held in Guangzhou in April 2016.

### Corporate events

The Institute hosted various large-scale events that brought all segments of members and stakeholders together.

The annual dinner is considered the Institute's flagship event, bringing more than 620 members and guests together in 2015. Financial secretary was the guest of honour.

The National Day celebration was held at JW Marriott and was attended by more than 700 guests, including stakeholders from Hong Kong and the Mainland. Another notable event, the spring cocktail, saw more than 300 guests and stakeholders with the chief executive of Hong Kong as the guest of honour. Elsewhere, 150 new members celebrated their initiation at the Institute's auditorium with a cocktail reception.

### Sports and recreational activities

An active lifestyle is the essential balance to a busy working career. Throughout the year, the Institute continued to provide a wide range of activities to help members build on personal interests, foster team spirit, and nurture new and existing friendships.

The Institute currently has 15 different interest groups, with the Tennis Interest Group being the newest addition in April 2016. At the end of the reporting period, membership of the Sports and Recreation Committee stood at 4,161, with approximately 430 sports and leisure activities organized for members – including cross-professional, cross-border events and annual CPA competitions.

Our members took part and took prizes in sports competitions. The badminton team won the championship against several government departments, including the Audit Commission, Companies Registry, Inland Revenue Department, and the Treasury at the Five-Point Invitational 2015.

The football team took the championship (Cares Shield category) in the Homeless World

Cup Fundraising Tournament 2015, another victory following its win in the Justice Shield category in 2014.

The bowling team retained the championship in the Recreation and Sports Club for Hong Kong Professional Bodies tenpin bowling tournament – the team also won an award for achieving a record high of 992 pin falls among one of the four games played.

In the annual cross-border sports competition with the Guangzhou Institute of CPAs and Shenzhen Institute of CPAs held in Guangzhou, the Institute's table tennis team clinched the championship, with the football team coming in second and the badminton team placing third.

The Institute's 10 representative teams won the fundraising championship in the accountancy category of Oxfam Trailwalker 2015, and generated donations of over HK\$340,000. One of the teams also ranked the top in accounting and achieved a record-breaking time of 17 hours 54 minutes and 11 seconds in the 100km race.

Yet again, we were crowned champions in all three categories (10km, half marathon and full marathon) in the RSCP marathon competition. The Institute's runners also clinched six top prizes in the 2016 Business Challenge Cup, while the team of past presidents Keith Pogson and Dennis Ho and the team of past president Clement Chan and member Mark Wong took first and second place respectively in the Chairman Cup at the Standard Chartered Marathon 2016.

The CPA golf team won the inter-professional golf tournament against the Hong Kong Medical Golfers Association – our 12th victory since the competition was inaugurated 17 years ago.

The snooker team clinched first place of the RSCP snooker tournament and in the pre-tournament friendly match.

The basketball team retained its position as champion in the RSCP basketball tournament for four consecutive years, while also winning two individual awards for the most valuable player and "assist" leader.

The sailing team achieved first place twice in division A in the summer series of the Aberdeen Boat Club.

Even under the spotlight, Institute members won the championship in the RSCP singing contest's solo division.

Hong Kong CPAs are indeed outstanding even outside the office.



# Mainland and International

**H**ong Kong CPAs are internationally recognized. They play a key role in advising and managing a broad range of global organizations, from the world's largest listed corporations to financial regulators.

Our members are also equipped with a wealth of China experience, with many working regularly across the border. This makes maintaining communications and productive relationships with Mainland authorities and regulators an ongoing priority for the Institute, thus ensuring our members' voices are heard on issues that will affect them.

## Mainland CEPA and other cross-border issues

The Hong Kong Closer Economic Partnership Arrangement and cross-border auditing were key issues surrounding our Mainland activities during the year.

A breakthrough took place this year under the CEPA extension which allows Hong Kong CPAs meeting certain criteria to join Mainland CPA practices as partners. During the preparation stage, we had discussions with Guangdong departments of finance, commerce and tax, and provided views to the Ministry of Finance Accounting Department regarding the draft rules to implement the new CEPA measures.

Other important activities included:

- A meeting with the MoF Accounting Department and Supervision and Investigation Bureau in Beijing to discuss the operational details under the "Provisional regulations on CPA practices carrying out audit services relating to the listing of Mainland enterprises outside Mainland."

- Meetings with the MoF Supervision and Investigation Bureau to discuss the clearance procedures for cross-border transfer of audit working papers, and the supplementary memorandum of cooperation on cross-border audit regulations and cooperation.

## Fostering ties

During the year, the Institute continued to focus on strengthening ties with Mainland authorities and accounting bodies, in particular those in our neighbouring Guangdong. For example, we organized a cocktail reception to network with authorities, universities, CPA firms and Institute members in the province, and received our counterparts at the Guangdong Institute of CPAs when they visited Hong Kong.

Elsewhere, our leadership team and representatives attended events throughout China, including visits to Gansu and Guizhou, where they met up with leaders of these provinces and the respective provincial accounting institutes to better understand their economic development and explore collaboration opportunities.

We also visited the Standing Committee of Guangdong Provincial People's Congress and the Audit Office of Guangdong Province in Guangzhou. When they came to Hong Kong, the Institute played host in turn.

To help Hong Kong accountants explore opportunities in Nansha New Area, the Institute attended a seminar hosted by the Nansha authority to discuss ways of developing professional services in the region.

The 2015 annual Cross-Straits, Hong Kong and Macau Accounting Profession Conference was an ideal platform for the Institute to discuss regional issues facing accountants. Hosted by the Institute in November 2015 with the

*Our members are also equipped with a wealth of China experience, with many working regularly across the border.*



**GLOBAL CONNECTIONS**

Business networking is indispensable in both the textile trade and accounting. Institute members are well-versed with technical and soft skills, local and global knowledge. That's why foreign clients look to them to tap into the China market, as do Chinese businessmen who want to go overseas. Desmond Ko (pictured), an Institute member, is the founder of Leatherteq, a company that processes leather with reduced environmental impact. He shares his technology to the world and expands his network through trade fairs like the All China Leather Exhibition in Shanghai.

*We continued to build on relationships with international institutes and organizations to ensure that our members' voices are heard and taken into account on a global scale.*

Hong Kong financial secretary officiating the opening ceremony, the event explored how innovations in information technology are presenting challenges and opportunities for the profession. The event attracted over 400 participants from Greater China, with 130 of them from Hong Kong.

Throughout the year, Commissioner Song Zhe of the Ministry of Foreign Affairs in HKSAR attended several events connecting with the profession. During a luncheon organized by the Institute in September 2015, the commissioner was the guest speaker discussing developments related to China's current economic and foreign affairs. The commissioner arranged a luncheon in May 2016 and invited Institute representatives to discuss additional collaboration opportunities. In June 2016, the commissioner hosted another luncheon outlining updates from the Mainland.

#### **Council's annual visit**

The Institute's Council held its annual visit to Beijing and Shanghai in May 2016. Our 19-person delegation met with authorities including the MoF, China Securities Regulatory Commission, Chinese Institute of CPAs, China Certified Tax Agents Association, Shanghai Institute of CPAs, and Hong Kong Trade Development Council in Shanghai.

Cocktail receptions were also held in Beijing and Shanghai to foster the relationship with the authorities, universities, CPA practices and Institute members in these municipalities, with a total of 118 guests and members attending.

In conjunction with the Council's annual visit to Beijing, the fourth meeting with the State Administration of Taxation was held to discuss issues relating to Mainland and cross-border taxation that would affect Hong Kong. The fifth meeting with the SAT was held in July 2016.

Representatives from the Institute's Mainland tax subcommittee held a liaison meeting with the Guangdong Provincial Local Taxation Bureau in December 2015. Meeting minutes covering more details are available on the Institute's website. Further liaison meetings with both the Guangdong and Shenzhen offices of SAT and local taxation bureaus are scheduled for December 2016.

#### **International**

The Institute continued to punch above its weight in the global accounting community throughout the year. We continued to build on relationships with international institutes and organizations

to ensure that our members' voices are heard and taken into account on a global scale.

The Institute's chief executive continued his term as a member of the board of the International Federation of Accountants, participating in meetings to develop and guide the strategy of the accounting profession internationally. Institute members also served on the IFAC Small and Medium Practitioners Committee and Professional Accountants in Business Committee, actively contributing in meetings and projects, to address a range of issues affecting accountants working in these sectors.

The Global Accounting Alliance's board meeting was held in Beijing in August and September 2015 during which events and other meetings were held with Mainland officials and representatives of the Mainland accounting profession. The Institute provided logistical and liaison support as well as participating as a member of the GAA. The Institute also hosted the November 2015 GAA board meeting in Hong Kong, at which attendees were presented with a souvenir book featuring interviews with the chief executives of all the GAA member institutes.

In addition to the monthly GAA board meetings, both face-to-face and via electronic means, we participated in teleconferences and physical meetings with the GAA tax, education and technical directors' groups, sharing information and international best practices.

The Institute nominated another representative, who is also the current Restructuring and Insolvency Faculty Executive Committee chair, to be a director on the board of the International Association of Restructuring, Insolvency and Bankruptcy Professionals (INSOL) for a three-year term commencing October 2016, following the departure from Hong Kong of the former representative. INSOL will hold a board meeting in Hong Kong later in 2016 and senior INSOL office bearers will conduct a seminar for the Institute's Restructuring and Insolvency Faculty members.

The Institute was also actively engaged with the Asia-Oceania Tax Consultants' Association, through both its annual meeting and tax conference in October 2015 as well as on various projects. During the reporting period, the Institute's Taxation Faculty Executive Committee chair and previous chair represented the Institute as technical advisors on AOTCA's technical committee.

For more information about the Institute's involvement with international standard-setters, please refer to the "Standards, Ethics and Regulation" section.



## Persons representing the Institute on international, regional and other professional bodies at 30 June 2016

### International Federation of Accountants

**Raphael Ding**, Board member and member of Planning and Finance Committee  
**Chris Joy**, Technical adviser to Raphael Ding  
**Wendy Yung**, Member of Professional Accountants in Business Committee  
**Peter Tisman**, Technical adviser to Wendy Yung  
**Chris Joy**, National Standard Setters – International Auditing and Assurance Standards Board (annual meeting also attended by Eric Tong as chair of the Institute’s Auditing and Assurance Standards Committee), and National Standard Setters – International Ethics Standards Board for Accountants  
**Derek Broadley**, Member of IAASB working group on ISA 600 revision

### IFRS Foundation

**Ronald Arculli**, Trustee of IFRS Foundation

### International Forum of Accounting Standard Setters

**Shelley So**, Institute representative  
**Christina Ng**, Technical adviser to Shelley So

### World Standard Setters (financial reporting)

**Shelley So**, Institute representative  
**Christina Ng**, Technical adviser to Shelley So

### Asian-Oceania Standard-Setters Group (financial reporting)

**Shelley So**, Representing the Institute as a member  
**Christina Ng**, Technical adviser to Shelley So

### Global Accounting Alliance

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

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

**Stephen Briscoe**, Board director  
**Mat Ng** (nominated as Stephen Briscoe’s replacement, with effect from October 2016, following Briscoe’s relocation)

### Accounting for Sustainability (A4S)

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

### Asia-Oceania Tax Consultants’ Association

**Anthony Tam**, Institute representative and a vice president  
**Florence Chan**, Institute representative  
**Edward Lean** (nominated to succeed Florence Chan before the October 2016 AGM)

### Chartered Accountants Group of Executives

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

### Institute of Chartered Accountants in England and Wales

**Mark Fong**, Council member

# Communication and Branding

**I**t is crucial for the Institute to reach out to its members and Hong Kong at large to ensure we are truly working on behalf of our profession and the public interest.

## Communication with members

To better serve members' evolving needs, the Institute continued to conduct its annual membership survey, which took place in March 2016 and received more than 3,600 responses. According to the results, the profession remains on an upswing, with positive job prospects and strong earning power due to accountants' flexibility and adaptability to fit into various roles in numerous industries at different levels.

We adopted an integrated and cross-channel approach to target the specific needs of our members. The weekly e-circular is a major channel to highlight the most important Institute happenings of each week. We also publish monthly e-newsletters for different purposes

including *CPD Online*, *TechWatch* and *Lifestyle*, and for different accounting functions and target groups including the *IP's Voice* (for insolvency practitioners), *Tax Link*, *Corporate Finance Alert*, *Inside Business* and *Forensic Update*.

In addition, we send dedicated emails focusing on important and topical subjects such as the audit regulatory reform consultation, the impact of Brexit and the new Qualification Programme reform. This is an effective way to ensure a continued awareness and understanding among members of matters that are relevant to them. Dedicated web pages have also been set up to provide one-stop locations for people to access all relevant information.

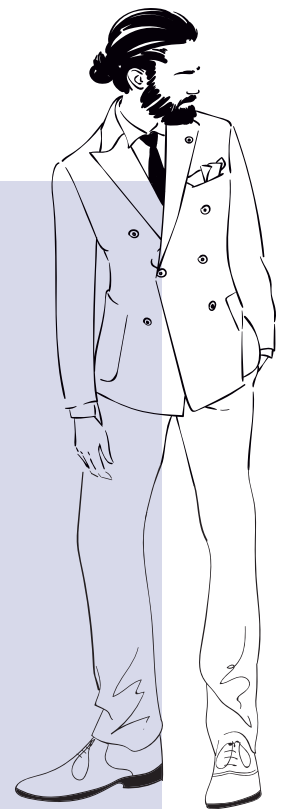
From time to time, we issued emails providing updates from the chief executive on major and timely issues such as greater opportunities for Hong Kong CPAs in Guangdong. This channel highlights issues with gravitas and we use it infrequently to create impact.

The Institute's president also has regular communication with members via a dedicated column in our monthly magazine *A Plus*. It summarizes key activities of the Institute over the past month and provides insight for the future.

In order to communicate more dynamically with an increasingly young and tech-savvy membership, the Institute carried out a thorough planning process to implement a social media programme on Facebook. This is an important part of our cross-channel approach to effectively reach our members. For example, after the president issued her first message in the magazine, we turned it into a digestible format for Facebook by highlighting key points and illustrating them with graphics. This helped to reinforce the message and extend its reach. As of July 2016, about 8,300 people have "liked" us on Facebook.

## STAYING IN FASHION

Hong Kong has earned a reputation for being one of the best dressed cities in Southeast Asia. In the 21st century, a mix and match of stylish silhouettes with contemporary colours is the trend, where younger consumers prefer clothing that promotes comfort and self-expression. As a result, local and modern brands like I.T Apparels have become very prominent. Institute members **Chan Wai-kwan**, its Executive Director and Chief Executive Officer of I.T. China, and **Matthew Leung**, Associate Finance Director, are helping the fashion conglomerate discover new brands with potential to lead the trend.



# 26,965

no. of visitors to *A Plus* digital version (2015)

# >1 million

no. of page views on digital *A Plus* (2015)

Additionally, we launched a LinkedIn page during the year, aiming to engage with members and other interested parties on the latest standards and developments in financial reporting, auditing and professional ethics.

With its updated design and refreshed content, *A Plus* magazine continues to cover important subjects pertaining to our profession, while also raising awareness and providing insight on topical issues. It carries five main features every month: the business story provides insight on topical issues such as FinTech in Hong Kong; the accounting feature focuses on the latest developments in accounting such as the impact of the leases standard; the leadership profile features high-level figures such as the IFAC CEO who shared his comments on good regulation; the success ingredient interview looks into our members' success in their careers; and lastly, the member engagement feature connects members together by providing a platform for them to share their life stories.

From small- and medium-sized practitioners to professional accountants in business to young members as well as the general membership, *A Plus* takes care of their interests.

The *A Plus* app and digital version have also been set up to cater to the different reading habits of members and allows us to reach a wider readership. The digital version attracted 26,965 visitors and more than a million page views during 2015.

According to a readership survey of members, the magazine has maintained a 30-minute and more readership rate of 37 percent. The majority

of members also said that the magazine is relevant, up-to-date and trustworthy, as well as highly recommendable to business colleagues and clients.

After winning an honour from the Astrid Awards 2016 under the category of professional body magazines, *A Plus* won an honour of editorial cartooning at the Society of Publishers in the Asia 2016 Awards for Editorial Excellence, which is widely regarded as one of the most prestigious awards in the publishing industry.

We actively reminded members to fulfil their civic duty and to register as electors, and vote at the 2016 Legislative Council Election for the representative of the accountancy functional constituency. We continually rolled out communications on the matter and organized a forum for the two election candidates to explain their platforms and answer members' questions.

During the year, we held many other face-to-face meetings and events with members including forums for SMPs, PAIBs and young members; annual update conferences on accounting, auditing, taxation and IT; career conferences; quality assurance and other technical seminars; an annual dinner; and sports activities among others.

### Communication with stakeholders

Externally, the Institute maintained its engagement with other stakeholders throughout the year, including the media, business community, government, regulators, professional bodies, academia and general public, to communicate the vital roles CPAs play in Hong Kong.

Our active engagement with the media resulted in hundreds of news stories covering a wide range of subjects, including our advocacy on audit regulatory reform, the Ministry of Finance's provisional regulation on cross-border auditing, access of audit working papers, the government's budget, and more.

We also connected with our international stakeholders by creating videos for IFAC about the voice of our profession, contributing information to IFAC's Global Knowledge Gateway, and submitting stories to the GAA Accounting journal.

During the year, our leadership actively participated and gave speeches, where appropriate, in advocacy, knowledge sharing and education functions. Such events were organized by various parties, including the Hong Kong government, regulators, accountancy and professional bodies, trade and business associations, as well as academia.

With international bodies, we hosted high-level events such as the IFRS conference and GAA board meeting to highlight the Institute's international presence and influence, strengthening our relationship at the same time.

As for our Mainland stakeholders, our Council and leadership team continued their annual visit to Beijing and Shanghai to meet with Chinese officials, and hosted networking receptions. We also established resource centres in Guangzhou and Zhuhai to deepen cooperation with our counterparts across the border.

Turning to the wider community, we partnered with the Hong Kong Council of Social Service to visit boards of non-governmental organizations to influence from the top on governance issues. We also organized seminars and published guidance on various topics related to good governance.

Meanwhile, we continued to mobilize our accountant ambassadors to teach school children about the value of money under the "Rich Kid, Poor Kid" programme. Additionally, they participated in various community projects to groom the next generation, building up a positive image of CPAs.

### **Branding – communication with the media and general public**

We invited the media to attend and report on the roundtable we held jointly with IFAC in Hong Kong. The event focused on good regulation, which is paramount to the healthy development of the profession and the financial community.

The Institute translated the *A Plus* thought leadership column articles and had them published in a Chinese newspaper. Such communication not only allows us to gain more exposure in the media, but also reinforces our advocacy on diversity, sustainability and the important roles of CPAs in public services.

To advocate corporate social responsibility and reach a wider audience, the Institute collaborated with *TVB* to produce a programme on investment education. The programme comprised 10 three-minute episodes to explain in layman's terms how to read annual reports, and the meaning of mark-to-market, among other topics.

During May 2016, the Institute reached more than 1,000 participants at the government's Belt and Road Summit, a high profile regional event with guests from around the world, through advertisements in the programme book, and a lightbox at the venue. Similarly at the Asian Financial Forum held in January 2016, the Institute placed a prominent lightbox at the event to advertise to top business leaders in the region.

The Institute was one of the supporting partners for *SCMP Classified Post's* career forums in October 2015 and April 2016. In addition to an exhibition booth for promoting the QP and the profession, the Institute's president and a Council member spoke to the audience about the journey ahead of a prospective CPA.

To understand more about the influence of our members, research was carried out in August 2015. It found that Hong Kong CPAs were widely represented in Hong Kong's listed companies, with our members holding 87 percent of board member and senior management roles.

For more information on the communication and promotion of the Institute's functional areas, please refer to the relevant sections of this report.



### CRAFTING A MESSAGE

Photographers are an important part of fashion as designers rely on them to convey visual narratives to audience. The Institute also stresses on communication, tailoring messages to different groups of members and stakeholders via the most suitable channels.

In the picture, Ed Lo is taking pictures of a model from G.O.D., where they are finding the best shooting angles for a fashion project at the rooftop of Jockey Club Creative Arts Centre in Shek Kip Mei.

# Making a Difference to Society and Thought Leadership



From driving the profession and businesses forward, to applying our expertise to support the community, the Institute is dedicated to playing its part in building a better Hong Kong and a better world.

## Thought leadership and advocacy

During the year, the Institute continued to develop thought leadership on issues that affect both our profession and Hong Kong as a whole.

To counteract money laundering and terrorist financing, the Institute's drafting of anti-money laundering guidelines is nearing completion. These standards reflect the recommendations of the Financial Action Task Force, the international body spearheading anti-money laundering issues.

Entering 2016, the Best Corporate Governance Awards programme has reached its 17th anniversary with a new name, emphasizing that good corporate governance practices should be the key focus, not just good disclosure.

Three new types of awards have also been introduced based on essential elements of good governance. They cover internal control and risk management; board and audit committee operation and functioning; and website corporate governance information.

The approach to determining the winners of the significant improvement awards has been changed as well, with companies and public sector organizations also having the ability to nominate themselves.

With its refreshed ambit, the Best Corporate Governance Awards continues to champion best practices to strengthen Hong Kong's governance culture.

Meanwhile, a project reviewing key features of Hong Kong's corporate governance practices is in good progress. A comparison is being made with the practices of other major capital markets, aiming to produce recommendations that will enhance Hong Kong's standard of corporate governance and support the long-term competitiveness of the city as a major capital market.

The Institute published detailed minutes of the 2015 annual meeting between the Taxation Faculty Executive Committee and Inland Revenue Department. The 2016 meeting has concluded and the minutes will be published later in the year.

In January, tax policy and budget proposals for 2016-17 were submitted to Hong Kong's chief executive and financial secretary.

*Entering 2016, the Best Corporate Governance Awards programme has reached its 17th anniversary with a new name, emphasizing that good corporate governance practices should be the key focus, not just good disclosure.*



A key proposal focused on enhancing the coherence, competitiveness and effectiveness of the tax regime to benefit the economy and the community by establishing a tax policy unit comprising a range of experts and officials. The unit would be tasked with studying how to create a more holistic and responsive tax system, taking account of the revenue base, and the needs of the economy and the community. The Taxation Faculty’s representatives held a press briefing during the time to highlight key points to the public.

On the budget day in February, the Institute hosted a lively budget forum to facilitate sharing of views on the matter. The forum featured a panel discussion with the Legislative Council accountancy functional constituency member, respected commentators from Lingnan University and Chinese University of Hong Kong, as well as Taxation Faculty budget subcommittee convener, and Taxation Faculty Executive Committee chair who acted as a moderator.

Elsewhere, the Institute was represented on the Joint Liaison Committee on Taxation – a government advisory committee on tax; and participated in the Official Receiver’s Office’s Admission Committee and Appeal Panel for the “Panel A” scheme, as well as its Services Advisory Committee.

The Institute also gave professional advice on a range of consultations throughout the year, and made proposals to the following organizations regarding issues that have an impact on our membership:

**Financial Services and Treasury Bureau (Financial Services)**

- Draft bill on improvements to the corporate insolvency provisions
- Legislative proposals on open-ended fund company structure

**Hong Kong Monetary Authority**

- Consultation on empowerment of independent non-executive directors in the banking industry

*The Institute also gave professional advice on a range of consultations throughout the year, and made proposals regarding issues that have an impact on our membership.*

**Security Bureau**

- Consultation on the establishment of a reporting system on the physical cross-boundary transportation of currency and bearer negotiable instruments

**Comments on various bills**

- Companies (Winding Up and Miscellaneous Provisions) (Amendment) Bill 2015
- Inland Revenue (Amendment) Bill 2016, on automatic exchange of information
- Inland Revenue (Amendment) (No.3) Bill 2015, on improving the tax appeal mechanism
- Inland Revenue (Amendment) (No.4) Bill 2015, on tax measures for corporate treasury centres and treatment of regulatory capital securities issued by banks
- Financial Institutions (Resolution) Bill

S U S T A I N A B L E F A S H I O N

With efforts to reduce pollution and waste in the fashion industry, organizations like Hong Kong’s Redress and the Sustainable Fashion Business Consortium were established. They nurture emerging designers to reduce and reuse textile waste, educate consumers about making better clothing choices, as well as engage the fashion supply chain with the development of more sustainable materials. **Desmond Ko**, Director at Leatherteq and an Institute member, devotes himself and his company to reducing the environmental impact of making leather.



#### GOING GREEN

The fashion industry has been undergoing changes to adopt greener standards, and designers like Johanna Ho inspire others to follow in their stead. Ho is renowned in the industry for her celebrity clientele as well as her eco and socially conscious brand through upcycling and zero-waste manufacturing.

Pictured here is Ho collaborating with PUMA Hong Kong, where she transforms surplus stock into one of PUMA's designer collections. The accounting profession also focuses on sustainability as it develops ways for companies to think, plan and report on their business holistically.



### Mainland and international bodies

- State Administration of Taxation's discussion draft *Implementation Measures for Special Tax Adjustment*, which aims to help taxpayers understand more about China's existing major regulations on transfer pricing and anti-avoidance
- Various International Federation of Accountants Professional Accountants in Business Committee consultation papers, projects and submissions
- Asia-Oceania Tax Consultants' Association's cross-jurisdictional survey on responses to the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting initiative

See "Standards, Ethics and Regulation" section for our engagement with international standard setting bodies.

### Making a difference to the community

The Institute is committed to supporting the community through both existing and new programmes.

Our primary corporate social responsibility programme "Rich Kid, Poor Kid" reached nearly 8,000 primary and secondary school students through 50 storytelling sessions and road shows this year. The initiative serves to teach children about the basics of money management as well as the values of money and ethics.

We have produced digital versions and apps of our *May Moon* book series, which tells the stories of a young girl called May Moon, who applies the money and ethics lessons learned from CPAs to save personal and family finances, the local community and even the world economy. The technology helps us reach the digital-savvy children, teenagers and their parents.

As an extension to our CPAs for NGOs social responsibility programme, the Institute has become the sole strategic partner to support the Hong Kong Council of Social Service's NGO governance platform project. Visits have been arranged to the boards of NGOs to further our vision to influence from the top by sharing experience and giving advice on good financial management and governance. The project also features luncheon talks, sharing sessions, conferences, researches, training programmes and online resources platform.

On top of expertise support, the Institute made a HK\$60,000 sponsorship from the HKICPA Charitable Fund for organizing a series of six luncheon talks for NGOs' board members and agency heads.

At the same time, we continue to organize thematic seminars and have published quick guides to support NGOs on topics covering interpretation of financial statements and audit reports, financial projections, internal control, audit, reserve policy, financial management and other governance-related issues. CPAs for NGOs programme has reached more than 400 agency heads and executives from nearly 210 NGOs. Ninety percent of those attended said the contents discussed in seminars were useful and practical to improve their operating practices.

### Nurturing Hong Kong's future talent

Nurturing future generations is highly important to the Institute, as evident through our range of initiatives focused on education.

In one such initiative, the Institute partners with Caritas Hong Kong, an organization known for its social services work in local schools. In October 2015, accountant ambassadors from different sectors shared their experiences with more than 200 students.

In addition, visits to Deloitte, EY, KPMG, PwC, ShineWing and BDO were arranged for about 150 secondary school students, to help them better understand the structure of an accounting firm and the daily working life of a CPA in practice.

In another education-based initiative, Institute members participated in the Yuen Long District Secondary School Students Internship Programme organized by the Hong Kong Coalition of Professional Services. A total of 14 CPA practices and employers of Institute members took part and offered 30 places to students.

Meanwhile, as a supporting organization of the Wofoo Millennium Entrepreneurship Programme, the Institute recruited 18 accountant ambassadors to mentor secondary school students in preparing a business plan for an inter-school case competition.

The Institute also continued its support to the government's Future Stars programme this year, by sponsoring 10 scholarships for students from low-income family and organizing two career talks for 70 young people.

# Corporate Social Responsibility Report

**T**he Institute is committed to setting a good example when it comes to corporate social responsibility. Thoughtfully balancing social and environmental considerations in the way we work is essential to help the sustainable development of the Institute, its staff, its members and the wider community.

The Institute's annual flagship Best Corporate Governance Awards, formerly named Best Corporate Governance Disclosure Awards, continues to advocate for the importance of sustainability in business strategy and operations as part of its ambit, focusing on related disclosures and practices by companies. The programme remains a highly respected benchmark of Hong Kong's corporate governance standards.

Throughout the year, our Sustainability and Integrated Reporting Advisory Group continued to guide the Institute's activities and communications in respect of educating and raising awareness among members and the wider business community about the importance of corporate social responsibility.

As part of this, the Institute actively participated in the consultation on the review of the Hong Kong stock exchange's environmental, social and governance reporting guide.

Furthermore, we maintained our engagement with the International Integrated Reporting Council, the Global Reporting Initiative and Accounting for Sustainability, and informed members and the public about the latest developments.

## Workplace quality

To ensure the salary structure of the Institute was in line with the prevailing market conditions, the

Institute conducted a salary survey in the first quarter of 2016 by obtaining salary information from relevant and comparable organizations. Necessary adjustments were made in the annual pay review.

To better serve our members and enhance personal capabilities, Institute staff continued to attend training courses and seminars in the areas of accounting, auditing, information technology, English writing and Putonghua.

A special leadership and management development programme was arranged for 44 managers and associate managers to further develop their leadership and management skills. A mediation training session was also organized for senior executives to strengthen their negotiation and communication skills.

During the year, a total of 796 enrolments in 256 training programmes were provided to staff members, which amounted to 4,341 training hours.

The Institute also filled five key positions in the Standard Setting Department, Compliance Department, Advocacy and Practice Development Department, Education and Training Department, and Information Technology Section to enhance operational efficiency and good corporate governance.

## Use of resources

Energy-saving and sustainability measures have been implemented across the Institute's offices, including:

### Energy audit

The recommendations proposed in the energy audit report issued by the Hong Kong Electric for energy saving and efficiency have been applied throughout our office. Halogen spotlights and exit signs were replaced with LED lights in boardroom, conference room, VIP room, library,

WORKING  
SATISFACTION

A happy workforce is one of the reasons behind the success of Grana, an online clothier based in Hong Kong. Its “warehouse to consumer” business model has made it a leader in the quality apparel market and contributes to a more sustainable development. Workplace quality is also an emphasis at the Institute as it constantly develops programmes to support its more than 200 staff.



*The Institute advocates good corporate citizenship and cares for the community through various programmes, such as a charitable fund to support community projects in need of sponsorship and a trust fund to help members who face financial hardship.*

#### SMART SOURCING

As a global sourcing hub, Hong Kong sees its fashion designers gaining worldwide reputation for their professional expertise, sensitivity to current trends and ability to blend commercialism with innovation. Many online clothiers, like Net-a-Porter, chose to set up in Hong Kong to take advantage of its sophisticated logistics during the e-commerce boom. The company broke the convention that designer fashion could only be sold at a physical retail outlet, and evolved from a home-based startup to an international giant. **Katherine Cheung**, an Institute member and the Asia Pacific Financial Controller at Net-a-Porter Group, works together with the development team to enhance the company's premier status to serve the online women's luxury scene.

training centre, lift lobby and counter service area. A subsequent energy audit conducted by Hong Kong Electric during September 2015 confirmed that our energy saving measures are working as intended.

Additionally, staff members were educated and reminded to turn off the lighting after work or when the training and meeting rooms are not in use. To further reduce energy consumption, we have been using zoning controls to manage our office's lighting.

#### Paper consumption

To reduce office paper use, we have implemented electronic and automated internal administrative processes, covering leave application, performance evaluation, salary records, approval of overtime work for staff and casual workers, and payment.

New copiers have been installed with a new "follow-you-print" system so that items to be printed are held on a server until users are physically at the printer. This has significantly reduced waste by eliminating unclaimed printing and adding user accountability. Equipped with printing management solutions and auto generated reporting functions, the new system is an efficient way to educate and alert users to print less.

Marketing brochures such as members' handbook order forms or venue booking order forms are now printed only on an on-demand basis. The reuse of waste paper and double-sided printing have always been our recommended practices.

#### Waste management

Utilization of recycling facilities to collect paper, plastic, toner and ink cartridges continued during the year.

Used envelopes have been reused for distribution of internal mail. Cleaning contractors have collected cardboard boxes for reuse or recycling. Additionally, larger paper carton boxes have been saved for internal moving projects.

Wastewater from our pantries goes through under-sink grease traps before being discharged

to the building's sewerage system and public sewer. The built-up sludge in the traps is safely removed by the cleaning contractor once every six to nine months.

### Green procurement

We utilize energy-efficient electrical appliances wherever possible, with many of them having gained recognition from official certification schemes.

Should office equipment be in need of replacement, we primarily consider items that meet the grade 1 standard of the government's Electrical and Mechanical Services Department's energy efficiency label. Similarly, environmental specifications are our priority when procuring new office furniture or renovation materials.

All ageing copiers in our office are replaced with newer models equipped with green initiative features. A certificate of appreciation was received from Fuji Xerox (HK) for the Institute's support in its zero landfill goal, where our aged copiers and used consumables were returned to the Fuji Xerox Integrated Recycling System for Asia-Pacific for processing and repurposing.

### Operating practices

As a body established under the law, we act as a guardian of both the accounting profession and public interest.

We employ a centralized system to process and handle incoming enquiries from all sources, whether they be members, students or the general public. The Corporate Communications Department closely monitors the system every workday and then dispatches enquiries to relevant departments within the same day or the following workday. To ensure prompt response to enquiries, the system has a built-in mechanism to issue automatic reminders to responsible staff should the tasks remain unaddressed for eight days.

Should complaints against members, member practices and students arise, the Compliance Department has standard complaint handling procedures to ensure the Institute performs its statutory functions effectively. All relevant

parties can refer to the Institute's website to understand their rights and responsibilities. A whistle-blowing arrangement to receive and handle complaints about the Institute's operations and staff has also been established.

### Community involvement

The Institute advocates good corporate citizenship and cares for the community through various programmes. We have put in place a charitable fund to support community projects in need of sponsorship and a trust fund to help members who face financial hardship.

Members also actively give back to the community by applying their expertise and experience through various projects, such as:

- CPAs for NGOs, which involves seminars on governance issues, and visits to non-governmental organizations to advise their leadership on internal control and financial management.
- Rich Kid, Poor Kid, which mobilizes CPAs to teach primary and secondary school students the value of money, and how to spend, save and share.
- Free Public Advisory Service Scheme, which offers weekly sessions for the general public to seek CPAs for advice on accounting-related issues.
- Various education and mentorship programmes, which provide CPAs the opportunity to guide secondary school students on their studies and discuss their career aspirations.
- A wide range of external charity events such as the MTR race walking, Hong Kong Cyclothon, UNICEF charity run, and Oxfam trailwalker, which were actively participated by our members to build awareness and support local and international endeavours.

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

# Council



## Elected members

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

## Immediate Past President

14. Dennis Ho

## Government-appointed lay members

15. Melissa Brown
16. Andrew Fung
17. Andrew Y.S. Mak
18. Tam Wing-pong

## Co-opted members

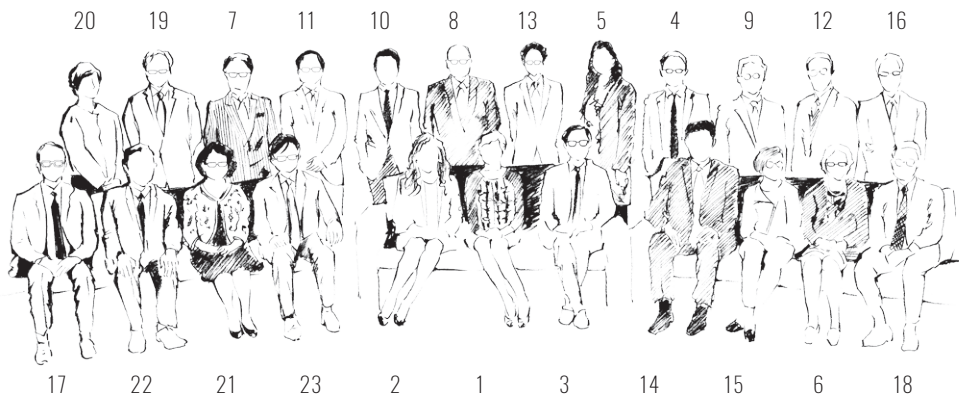
19. Alec C.C. Tong
20. Wendy W.Y. Yung

## Ex-officio members

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

## Chief Executive and Registrar

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



# Committees and Working Groups

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

# Management Team



## Chief Executive and Registrar

1. Ding Wai Chuen, Raphael

## Executive Directors

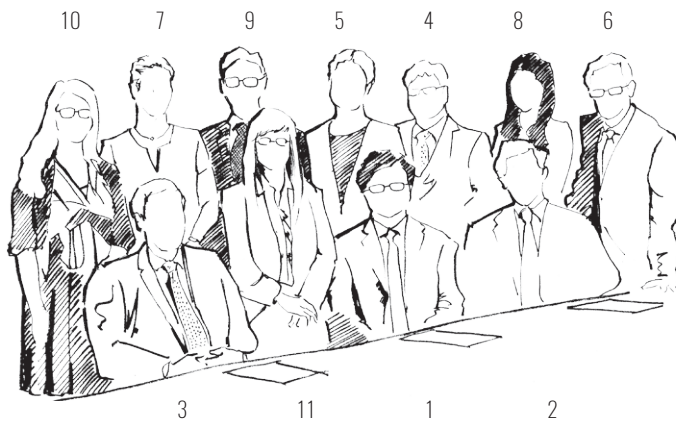
2. Jonathan Ng (*Qualification and Education*)
3. Chris Joy (*Standards and Regulation*)

## General Counsel

4. Donald Leo

## Directors

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





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# Auditor's Report and Financial Statements

Hong Kong Institute of Certified Public Accountants

The HKICPA Trust Fund

The HKICPA Charitable Fund

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# *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 49 to 84, 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 2016, 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 2016, 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*

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

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

20 September 2016

## Statements of Financial Position

At 30 June 2016

	Note	Group		Institute	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets	5	167,628	173,535	166,491	173,445
Interests in subsidiaries	6	-	-	-	-
Deferred tax assets	7	956	704	956	704
Prepayments for purchase of fixed assets		3,790	-	3,790	-
		<u>172,374</u>	<u>174,239</u>	<u>171,237</u>	<u>174,149</u>
<b>Current assets</b>					
Inventories		748	984	745	982
Receivables	8	2,020	1,268	2,826	3,018
Deposits and prepayments		7,777	8,787	7,667	8,450
Tax recoverable		11	-	-	-
Time deposits with original maturities over three months	22a	317,112	94,903	286,759	70,283
Cash and cash equivalents	9	35,158	234,340	30,107	218,467
		<u>362,826</u>	<u>340,282</u>	<u>328,104</u>	<u>301,200</u>
<b>Current liabilities</b>					
Contract liabilities/subscriptions and fees received in advance	10	(80,910)	(71,656)	(80,145)	(69,455)
Payables and accruals	11	(34,979)	(43,183)	(33,170)	(41,230)
Lease liabilities	5	(2,355)	-	(1,735)	-
Current tax liabilities		(2,370)	(7,294)	(2,370)	(7,294)
		<u>(120,614)</u>	<u>(122,133)</u>	<u>(117,420)</u>	<u>(117,979)</u>
<b>Net current assets</b>		<u>242,212</u>	<u>218,149</u>	<u>210,684</u>	<u>183,221</u>
<b>Non-current liabilities</b>					
Lease liabilities	5	(2,229)	-	(1,795)	-
Deferred tax liabilities	7	-	-	-	-
		<u>(2,229)</u>	<u>-</u>	<u>(1,795)</u>	<u>-</u>
		<u>412,357</u>	<u>392,388</u>	<u>380,126</u>	<u>357,370</u>
<b>Funds and reserve</b>					
General fund	12	232,558	225,285	206,218	196,174
Capital fund	12	179,918	167,206	173,908	161,196
Exchange reserve		(119)	(103)	-	-
		<u>412,357</u>	<u>392,388</u>	<u>380,126</u>	<u>357,370</u>

Approved by the Council on 20 September 2016

Cheung Wing Han, Ivy  
PresidentDing Wai Chuen, Raphael  
Chief Executive and Registrar

## Statements of Comprehensive Income

For the year ended 30 June 2016

	Note	Group		Institute	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Subscriptions and fees	13	138,583	132,737	136,785	130,660
Other revenue	14	96,281	95,369	93,646	91,575
Total revenue from contracts with customers/ Total revenue		234,864	228,106	230,431	222,235
Other income	15	18,735	23,720	20,216	25,048
Expenses	16	(242,724)	(233,704)	(237,136)	(227,263)
<b>Surplus before tax</b>	17	<b>10,875</b>	18,122	<b>13,511</b>	20,020
Income tax charge	18	(2,830)	(3,510)	(2,695)	(3,487)
<b>Surplus</b>		<b>8,045</b>	14,612	<b>10,816</b>	16,533
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit: Exchange loss on translating the financial statements of HKICPA Beijing		(16)	(1)	-	-
<b>Comprehensive income</b>		<b>8,029</b>	14,611	<b>10,816</b>	16,533

Approved by the Council on 20 September 2016

**Cheung Wing Han, Ivy**  
President

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

## Statements of Changes in Funds and Reserve

For the year ended 30 June 2016

	2016						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At the beginning of the reporting period							
As previously reported	225,285	167,206	(103)	392,388	196,174	161,196	357,370
Changes in accounting policies	(772)	-	-	(772)	(772)	-	(772)
As restated	224,513	167,206	(103)	391,616	195,402	161,196	356,598
Surplus	8,045	-	-	8,045	10,816	-	10,816
Other comprehensive income	-	-	(16)	(16)	-	-	-
Comprehensive income	8,045	-	(16)	8,029	10,816	-	10,816
Capital levy from members and students	-	12,712	-	12,712	-	12,712	12,712
<b>At the end of the reporting period</b>	<b>232,558</b>	<b>179,918</b>	<b>(119)</b>	<b>412,357</b>	<b>206,218</b>	<b>173,908</b>	<b>380,126</b>
	2015						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469
Surplus	14,612	-	-	14,612	16,533	-	16,533
Other comprehensive income	-	-	(1)	(1)	-	-	-
Comprehensive income	14,612	-	(1)	14,611	16,533	-	16,533
Capital levy from members and students	-	12,368	-	12,368	-	12,368	12,368
At the end of the reporting period	225,285	167,206	(103)	392,388	196,174	161,196	357,370

## Statements of Cash Flows

For the year ended 30 June 2016

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>				
Surplus before tax	10,875	18,122	13,511	20,020
Adjustments for:				
Allowance for obsolete inventories	160	44	160	44
Depreciation of fixed assets	13,809	12,945	13,103	12,858
Interest on lease liabilities	104	-	69	-
Impairment of fixed assets	-	480	-	480
Impairment of receivables	-	501	-	501
Loss on disposal of fixed assets	3	83	3	85
Obsolete inventories written off	17	9	16	9
Uncollectible amounts written off	12	15	12	15
<b>Operating cash flows before working capital changes</b>	<b>24,980</b>	<b>32,199</b>	<b>26,874</b>	<b>34,012</b>
Decrease/(Increase) in inventories	59	(206)	61	(207)
(Increase)/Decrease in receivables	(764)	467	180	(405)
Decrease/(Increase) in deposits and prepayments	1,028	(2,194)	783	(2,142)
(Increase)/Decrease in time deposits with original maturities over three months	(222,209)	102,856	(216,476)	98,208
Increase in contract liabilities/subscriptions and fees received in advance	6,280	2,611	7,716	2,755
(Decrease)/Increase in payables and accruals	(5,975)	9,281	(5,858)	9,545
<b>Cash (utilized in)/generated from operations</b>	<b>(196,601)</b>	<b>145,014</b>	<b>(186,720)</b>	<b>141,766</b>
Net tax paid	(8,017)	(2,767)	(7,871)	(2,744)
<b>Net cash (utilized in)/generated from operating activities</b>	<b>(204,618)</b>	<b>142,247</b>	<b>(194,591)</b>	<b>139,022</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(1,271)	(2,228)	(1,211)	(2,153)
Prepayments for purchase of fixed assets	(3,790)	-	(3,790)	-
Sale proceeds from disposal of fixed assets	-	7	-	4
<b>Net cash utilized in investing activities</b>	<b>(5,061)</b>	<b>(2,221)</b>	<b>(5,001)</b>	<b>(2,149)</b>
<b>Cash flows from financing activities</b>				
Lease payments	(2,160)	-	(1,480)	-
Capital levy received	12,712	12,368	12,712	12,368
<b>Net cash generated from financing activities</b>	<b>10,552</b>	<b>12,368</b>	<b>11,232</b>	<b>12,368</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(199,127)</b>	<b>152,394</b>	<b>(188,360)</b>	<b>149,241</b>
Cash and cash equivalents at the beginning of the reporting period	234,340	81,946	218,467	69,226
Exchange difference in respect of cash and cash equivalents	(55)	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b> (note 9)	<b>35,158</b>	<b>234,340</b>	<b>30,107</b>	<b>218,467</b>

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$4,697,000 respectively by means of leases.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 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 financial assets*

The impairment provisions for financial assets are based on assumptions about risk of default. The Group uses judgment in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 22b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 financial statements, except for the early adoption, for the first time, of new/revised HKFRSs as explained in note 2b below.

New/revised HKFRSs issued on or before 30 June 2015 had been early adopted by the Group and the Institute in prior years, except for HKFRS 9 (2014) and HKFRS 15. The following revised HKFRSs, which are applicable to the Group but are not yet effective for the current year, have been early adopted in prior years:

Amendments to HKAS 1	“Disclosure Initiative”
Amendments to HKAS 16	“Clarification of Acceptable Methods of Depreciation”

**b. New/revised HKFRSs**Issued up to 30 June 2016

The Institute has issued certain new/revised HKFRSs that are available for early adoption. The Group has elected to early adopt, for the first time, the following new/revised HKFRSs, which are relevant to its operation:

HKFRS 9 (2014)	“Financial Instruments”
HKFRS 15	“Revenue from Contracts with Customers”
HKFRS 16	“Leases”
Amendments to HKAS 7	“Disclosure Initiative”
Amendments to HKAS 12	“Recognition of Deferred Tax Assets for Unrealized Losses”

*HKFRS 9 (2014)*

In September 2014, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. The adoption of those requirements has no significant impact to the Group.

*HKFRS 15*

HKFRS 15 aims at providing a more robust framework for addressing revenue issues; improving comparability; and providing more useful information.

The core principle of HKFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following five steps:

- (a) Identify the contract(s) with a customer;
- (b) Identify the performance obligations in the contract(s);
- (c) Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;
- (d) Allocate the transaction price to the performance obligations in the contract(s); and
- (e) Recognize revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has applied HKFRS 15 retrospectively in accordance with the transitional provisions therein using the cumulative effect method (i.e. the cumulative effect of initially applying HKFRS 15 is recognized as an adjustment to the opening balance of equity at 1 July 2015). Therefore, the comparative information has not been restated and continues to be reported under the previous accounting standards (e.g. HKAS 18 *Revenue*). The details of the changes in accounting policies are explained in note 3.



*HKFRS 16*

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under the previous accounting standards (e.g. HKAS 17 *Leases*) with a single model which requires a lessee to recognize right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in the previous accounting standards. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The Group has applied the practical expedient in paragraph C3 of HKFRS 16 (i.e. the Group has not reassessed whether a contract was, or contained, a lease at 1 July 2015). In particular, the Group applies HKFRS 16 to contracts that were previously identified as leases applying the previous accounting standards. Besides, the Group does not apply HKFRS 16 to contracts that were not previously identified as leases applying the previous accounting standards and applies HKFRS 16 to contracts entered into or changed on or after 1 July 2015.

For leases previously classified as operating leases applying the previous accounting standards in which the Group is the lessee, the Group has applied HKFRS 16 retrospectively in accordance with the transitional provisions therein using the cumulative effect method (i.e. the cumulative effect of initially applying HKFRS 16 is recognized as an adjustment to the opening balance of equity at 1 July 2015). Therefore, the comparative information has not been restated and continues to be reported under the previous accounting standards. Besides, lease liabilities are recognized at 1 July 2015 and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at that date while the corresponding right-of-use assets are measured at the same amount, adjusted by any prepaid or accrued lease payments recognized immediately before 1 July 2015. The details of the changes in accounting policies are explained in note 3.

The Group has also elected to apply the following practical expedients in paragraph C10 of HKFRS 16 when applying HKFRS 16 retrospectively to leases previously classified as operating leases applying the previous accounting standards in which the Group is the lessee:

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics;
- Leases for which the lease term ends within 12 months of 1 July 2015 are accounted for in the same way as short-term leases; and
- Initial direct costs are excluded from the measurement of the right-of-use assets at 1 July 2015.

For leases previously classified as finance leases applying the previous accounting standards in which the Group is the lessee, the carrying amount of the right-of-use asset and the lease liability at 1 July 2015 shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying the previous accounting standards.

In accordance with the transitional provisions of HKFRS 16, the Group is not required to make any adjustments on transition for leases in which the Group is the lessor and shall account for those leases applying HKFRS 16 from 1 July 2015, except for leases in which the Group is an intermediate lessor.

*Amendments to HKAS 7*

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption has no significant impact to the Group.

*Amendments to HKAS 12*

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value. The adoption has no significant impact to the Group.

*Issued after 30 June 2016*

The revised HKFRS issued after 30 June 2016 and up to the date of approval of these financial statements is not early adopted by the Group, and even adopted, has no significant impact.

**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 intra-group 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 within the scope of HKFRS 9 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 lease liabilities, payables and accruals. All financial liabilities are subsequently measured at amortized cost using the effective interest method, except for lease liabilities as stated in note 2i.

**e. Impairment of financial assets**

Before the adoption of HKFRS 9 (2014), the Group recognized charges for impaired receivables promptly where there was objective evidence that impairment of a receivable had occurred. The impairment of a receivable carried at amortized cost was 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 were assessed individually for significant receivables.

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

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

In adopting HKFRS 9 (2014), the Group recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Group considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Group considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

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. The receivable is written off against the receivable impairment charges account when the Group has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. 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**

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:

<b>Owned assets</b>	
Buildings	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
<b>Right-of-use assets</b>	
Land	Over the lease term
Buildings	Over the remaining lease terms of the relevant leases
Furniture, fixtures and equipment	Over the remaining lease terms of the relevant leases

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

**i. Leases**Lessee

Before the adoption of HKFRS 16, assets that were held by the Group under leases which transferred to the Group substantially all the risks and rewards of ownership were classified as being held under finance leases. Where the Group acquired the leasehold land for own use under a finance lease, the prepaid cost representing the fair value of the leasehold land was included in fixed assets. For leases where substantially all the risks and rewards of ownership of assets remain with the lessor were accounted for as operating leases. Rental payable were charged to surplus or deficit on a straight-line basis over the lease term.

In adopting HKFRS 16, all leases with a term of more than 12 months are recognized (i.e. an asset representing the right to use of the underlying asset and a liability representing the obligation to make lease payments), unless the underlying asset is of low value. Both the asset and the liability are initially measured on a present value basis. Right-of-use assets are recognized under fixed assets and are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the assets and the lease term. Lease liabilities are initially measured at the present value of unpaid lease payments and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

*Lessor*

Leases where substantially all the risks and rewards of ownership of assets remain with the Group are classified as operating leases. Assets leased under operating leases are included in fixed assets and rentals receivable are credited 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**

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

Before the adoption of HKFRS 15, revenue from contracts with customers was recognized when it was probable that the economic benefits would flow to the Group and when the revenue could be measured reliably.

- (i) Annual subscription fees were recognized on a straight-line basis over the subscription period.
- (ii) First registration fees were recognized on entitlement.
- (iii) Other fees, income from examinations, seminars and courses, member and student activities and accreditation income were recognized upon completion of services provided.

In adopting HKFRS 15, the recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset:

- (i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Group.
- (ii) First registration fees are recognized at a point in time on completion of assessment services by granting the qualification and status to the applicants.
- (iii) Income from examinations is recognized over time based on the cost-to-cost method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (iv) Income from seminars and courses, member and student activities is recognized over time as the services are rendered.
- (v) Accreditation income is recognized at a point in time on completion of services.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year.

**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. Changes in accounting policies

The main impacts from the early adoption of HKFRSs 15 and 16 are explained below. As indicated in note 2b above, the comparative information has not been restated in accordance with the transitional provisions therein.

HKFRS 15

(i) Accounting for one-off rebate of 2015 annual subscription fees

The Institute previously recognized a provision for the one-off rebate to members announced in June 2015 in full of HK\$7,526,000 which was charged against the revenue for the year ended 30 June 2015. Upon adoption of HKFRS 15, the rebate is now recognized as a reduction to revenue at the later of (a) when the rebate is announced to the members and (b) when the revenue for the transfer of the related goods or services to the members is recognized. This has resulted in the reduction of the revenue attributable to the year ended 30 June 2015 by HK\$3,763,000, which represents the portion of the rebate relating to the period from 1 January 2015 to 30 June 2015. The rebate relating to the period from 1 July 2015 to 31 December 2015 is now reflected in the year ended 30 June 2016. As a result, the general fund as at 1 July 2015 has been adjusted upward by HK\$3,763,000 and the surplus for the year ended 30 June 2016 is reduced by HK\$3,763,000.

(ii) Accounting for income from examinations

The Institute previously recognized the income from examinations when the examinations are held. Upon adoption of HKFRS 15, the Institute recognizes the revenue over time based on the cost-to-cost method. Part of the income and costs for examinations held in June 2015 and 2016 is therefore deferred to the year ended 30 June 2016 and the year ending 30 June 2017 respectively when post-examination services are rendered.

The net impact on the surplus before tax for the year ended 30 June 2016 is as follows:

	<i>HK\$'000</i>
Increase in relation to June 2015 examinations	4,540
Decrease in relation to June 2016 examinations	(4,383)
	<hr/>
Net increase of surplus before tax	<u>157</u>

The general fund at 1 July 2015 has been adjusted by a decrease of HK\$4,540,000 and the surplus for the year ended 30 June 2016 is increased by HK\$157,000.

*Impacts on relevant line items of financial statements*

The following tables summarize the impacts of adopting HKFRS 15 on the financial statements for the year ended 30 June 2016.

**Impacts on relevant line items of statements of financial position**

	<b>At 30 June 2016</b>					
	<b>Group</b>			<b>Institute</b>		
	<b>Before adoption of HKFRS 15</b>	<b>Impact of HKFRS 15</b>	<b>After adoption of HKFRS 15</b>	<b>Before adoption of HKFRS 15</b>	<b>Impact of HKFRS 15</b>	<b>After adoption of HKFRS 15</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>	172,374	-	172,374	171,237	-	171,237
<b>Current assets</b>	362,826	-	362,826	328,104	-	328,104
<b>Current liabilities</b>						
Contract liabilities/subscriptions and fees received in advance	(74,358)	(6,552)	(80,910)	(73,593)	(6,552)	(80,145)
Payables and accruals	(37,148)	2,169	(34,979)	(35,339)	2,169	(33,170)
Lease liabilities	(2,355)	-	(2,355)	(1,735)	-	(1,735)
Current tax liabilities	(2,966)	596	(2,370)	(2,966)	596	(2,370)
	<hr/> (116,827)	<hr/> (3,787)	<hr/> (120,614)	<hr/> (113,633)	<hr/> (3,787)	<hr/> (117,420)
<b>Net current assets</b>	<hr/> 245,999	<hr/> (3,787)	<hr/> 242,212	<hr/> 214,471	<hr/> (3,787)	<hr/> 210,684
<b>Non-current liabilities</b>	<hr/> (2,229)	<hr/> -	<hr/> (2,229)	<hr/> (1,795)	<hr/> -	<hr/> (1,795)
	<hr/> <b>416,144</b>	<hr/> <b>(3,787)</b>	<hr/> <b>412,357</b>	<hr/> <b>383,913</b>	<hr/> <b>(3,787)</b>	<hr/> <b>380,126</b>
<b>Funds and reserve</b>						
General fund	236,345	(3,787)	232,558	210,005	(3,787)	206,218
Capital fund	179,918	-	179,918	173,908	-	173,908
Exchange reserve	(119)	-	(119)	-	-	-
	<hr/> <b>416,144</b>	<hr/> <b>(3,787)</b>	<hr/> <b>412,357</b>	<hr/> <b>383,913</b>	<hr/> <b>(3,787)</b>	<hr/> <b>380,126</b>

## Impacts on relevant line items of statements of comprehensive income

Year ended 30 June 2016

	Group			Institute		
	Before adoption of HKFRS 15	Impact of HKFRS 15	After adoption of HKFRS 15	Before adoption of HKFRS 15	Impact of HKFRS 15	After adoption of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subscriptions and fees	142,351	(3,768)*	138,583	140,553	(3,768)*	136,785
Other revenue	96,091	190	96,281	93,456	190	93,646
Total revenue from contracts with customers/Total revenue	238,442	(3,578)	234,864	234,009	(3,578)	230,431
Other income	18,735	-	18,735	20,216	-	20,216
Expenses	(242,691)	(33)	(242,724)	(237,103)	(33)	(237,136)
<b>Surplus before tax</b>	14,486	(3,611)	10,875	17,122	(3,611)	13,511
Income tax charge	(3,426)	596	(2,830)	(3,291)	596	(2,695)
<b>Surplus</b>	11,060	(3,015)	8,045	13,831	(3,015)	10,816
Other comprehensive income	(16)	-	(16)	-	-	-
<b>Comprehensive income</b>	<b>11,044</b>	<b>(3,015)</b>	<b>8,029</b>	<b>13,831</b>	<b>(3,015)</b>	<b>10,816</b>

\* Including the recognition of rebate to members (HK\$3,763,000) and others (HK\$5,000).

## Impacts on relevant line items of statements of cash flows

Year ended 30 June 2016

	Group			Institute		
	Before adoption of HKFRS 15	Impact of HKFRS 15	After adoption of HKFRS 15	Before adoption of HKFRS 15	Impact of HKFRS 15	After adoption of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>						
Surplus before tax	14,486	(3,611)	10,875	17,122	(3,611)	13,511
Adjustments	14,105	-	14,105	13,363	-	13,363
<b>Operating cash flows before working capital changes</b>	28,591	(3,611)	24,980	30,485	(3,611)	26,874
Increase in contract liabilities/ subscriptions and fees received in advance	2,702	3,578	6,280	4,138	3,578	7,716
Decrease in payables and accruals	(6,008)	33	(5,975)	(5,891)	33	(5,858)
Other changes in working capital	(221,886)	-	(221,886)	(215,452)	-	(215,452)
Cash utilized in operations	(196,601)	-	(196,601)	(186,720)	-	(186,720)
Net tax paid	(8,017)	-	(8,017)	(7,871)	-	(7,871)
<b>Net cash utilized in operating activities</b>	<b>(204,618)</b>	<b>-</b>	<b>(204,618)</b>	<b>(194,591)</b>	<b>-</b>	<b>(194,591)</b>



**HKFRS 16**

## (i) Accounting for leases in which the Group is a lessee

The Group and the Institute previously charged the operating leases payments to the statements of comprehensive income on a straight line basis over the lease term. With the adoption of HKFRS 16, all leases with a term (or, in the case of transition, remaining term) of more than 12 months, unless the underlying asset is of low value, are recognized as right-of-use assets and lease liabilities. The adoption of HKFRS 16 on 1 July 2015 by the Group and the Institute gives rise to lease liabilities of HK\$2,042,000 and HK\$244,000 at 1 July 2015 respectively. The corresponding right-of-use assets are recognized at the same amount by the Group and the Institute. The adoption has no impact on the Group's and the Institute's general fund at 1 July 2015.

The weighted average incremental borrowing rate applied to the lease liabilities recognized at 1 July 2015 is 2.4%.

There is no significant difference between the amount of the operating lease commitments disclosed applying the previous accounting standards at 30 June 2015 (see note 24), discounted using the incremental borrowing rate at 1 July 2015 and the amount of lease liabilities recognized in the statements of financial position at 1 July 2015.

**4. Financial instruments by category**

The figures in the current year reflect the adoption of HKFRS 16 while the comparative information has not been restated.

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

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Financial assets – measured at amortized cost</b>				
Accounts receivable, net of charges for impairment	2,020	1,268	1,924	1,166
Amounts due from subsidiaries	-	-	902	1,852
Time deposits with original maturities over three months	317,112	94,903	286,759	70,283
Cash and cash equivalents	35,158	234,340	30,107	218,467
	<b>354,290</b>	<b>330,511</b>	<b>319,692</b>	<b>291,768</b>
<b>Financial liabilities – measured at amortized cost</b>				
Payables	8,422	14,419	8,308	14,249
Amounts due to subsidiaries	-	-	50	53
Accruals	10,903	13,514	10,228	12,614
Lease liabilities				
- Current	2,355	-	1,735	-
- Non-current	2,229	-	1,795	-
	<b>23,909</b>	<b>27,933</b>	<b>22,116</b>	<b>26,916</b>

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

## 5. Fixed assets and lease liabilities

The figures in the current year reflect the adoption of HKFRS 16 while the comparative information has not been restated.

<b>2016</b>	<b>Right-of-use assets</b>			
	<b>Land</b> <i>HK\$'000</i>	<b>Buildings</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>	(a)	(b)	(c)	
Net book value at 1 July 2015				
As previously reported	-	-	-	-
Adoption of HKFRS 16 (note 3)	140,690	2,042	-	142,732
As restated	140,690	2,042	-	142,732
Additions	-	1,545	3,152	4,697
Disposal	-	-	-	-
Depreciation	(4,398)	(1,214)	(878)	(6,490)
Exchange realignment	-	(99)	-	(99)
<b>Net book value at 30 June 2016</b>	<b>136,292</b>	<b>2,274</b>	<b>2,274</b>	<b>140,840</b>
At cost	184,669	3,488	3,152	191,309
Accumulated depreciation and impairment	(48,377)	(1,214)	(878)	(50,469)
	<b>136,292</b>	<b>2,274</b>	<b>2,274</b>	<b>140,840</b>
<b>Institute</b>				
Net book value at 1 July 2015				
As previously reported	-	-	-	-
Adoption of HKFRS 16 (note 3)	140,690	244	-	140,934
As restated	140,690	244	-	140,934
Additions	-	1,545	3,152	4,697
Disposal	-	-	-	-
Depreciation	(4,398)	(556)	(878)	(5,832)
<b>Net book value at 30 June 2016</b>	<b>136,292</b>	<b>1,233</b>	<b>2,274</b>	<b>139,799</b>
At cost	184,669	1,789	3,152	189,610
Accumulated depreciation and impairment	(48,377)	(556)	(878)	(49,811)
	<b>136,292</b>	<b>1,233</b>	<b>2,274</b>	<b>139,799</b>

## Owned assets/Assets held under finance leases

Land HK\$'000 (a)	Buildings HK\$'000 (a)	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Total HK\$'000
140,690	21,634	4,979	6,232	173,535	173,535
(140,690)	-	-	-	(140,690)	2,042
-	21,634	4,979	6,232	32,845	175,577
-	-	10	1,261	1,271	5,968
-	-	-	(3)	(3)	(3)
-	(2,163)	(1,895)	(3,261)	(7,319)	(13,809)
-	-	(4)	(2)	(6)	(105)
-	<b>19,471</b>	<b>3,090</b>	<b>4,227</b>	<b>26,788</b>	<b>167,628</b>
-	43,255	25,246	35,294	103,795	295,104
-	(23,784)	(22,156)	(31,067)	(77,007)	(127,476)
-	<b>19,471</b>	<b>3,090</b>	<b>4,227</b>	<b>26,788</b>	<b>167,628</b>
140,690	21,634	4,910	6,211	173,445	173,445
(140,690)	-	-	-	(140,690)	244
-	21,634	4,910	6,211	32,755	173,689
-	-	10	1,201	1,211	5,908
-	-	-	(3)	(3)	(3)
-	(2,163)	(1,871)	(3,237)	(7,271)	(13,103)
-	<b>19,471</b>	<b>3,049</b>	<b>4,172</b>	<b>26,692</b>	<b>166,491</b>
-	43,255	25,176	34,545	102,976	292,586
-	(23,784)	(22,127)	(30,373)	(76,284)	(126,095)
-	<b>19,471</b>	<b>3,049</b>	<b>4,172</b>	<b>26,692</b>	<b>166,491</b>

	Year ended 30 June 2016	
	Group	Institute
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	104	69
Expense relating to short-term leases		
- Lease term of more than one month	460	460
- Lease term of one month or less	16,297	15,899
Expense relating to variable lease payments not included in the measurement of lease liabilities	322	322
Income from sub-leasing right-of-use assets	156	156
Total cash outflow for leases		
- Lease liabilities	2,160	1,480
- Short-term lease and variable lease payments	15,317	14,919
	<u>17,477</u>	<u>16,399</u>
		At 30 June 2016
Maturity profile of lease liabilities:		
- Less than 1 year	2,438	1,801
- Between 1 to 2 years	1,236	797
- Between 3 to 5 years	1,055	1,055
Lease liabilities (undiscounted)	4,729	3,653
Discount amount	(145)	(123)
Lease liabilities (discounted)	<u>4,584</u>	<u>3,530</u>
Current	2,355	1,735
Non-current	2,229	1,795
Lease liabilities (discounted)	<u>4,584</u>	<u>3,530</u>
Movements of the carrying amount of lease liabilities during the current year:		
At the beginning of the reporting period	2,042	244
Non-cash changes:		
- Interest expense	104	69
- New leases	4,697	4,697
- Exchange differences	(99)	-
Cash payments	(2,160)	(1,480)
At the end of the reporting period	<u>4,584</u>	<u>3,530</u>

2015

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

- a. The Group's and the Institute's right of use in leasehold land represents prepaid lease payments. The leasehold land, together with the owned buildings held for own use, 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. The leasehold land is held on medium-term leases expiring on 30 June 2047.
- b. The Group entered into lease agreements in respect of premises at two industrial buildings for storage purpose in Hong Kong, one office building in Beijing and one office building for the promotion of the Institute's qualification programme in Zhuhai and Guangzhou respectively. All of these agreements were entered into by the Institute except for the office buildings in Beijing and Guangzhou. The lease term ranges from two to three years with no extension or termination options and all the lease payments are fixed.
- c. The Group and the Institute entered into lease agreements in respect of copiers and server racks in Hong Kong. The lease term ranges from two to five years with no extension options and termination options. Apart from the fixed payments, the rentals of the copiers also include variable payments based on usage which are recognized in surplus or deficit in the period during which the expenses are incurred.
- d. During the year ended 30 June 2015, the management conducted a review of the Group's and the Institute's operating assets and determined that certain office equipment was impaired due to technical obsolescence. With reference to the assets' recoverable amount determined on the basis of their value in use which was assessed to be nil, a full impairment charge on their carrying amount of HK\$480,000 had been recognized accordingly.

## 6. Interests in subsidiaries

	Institute	
	2016 HK\$'000	2015 HK\$'000
At cost	300	300
Impairment charges	(300)	(300)
	-	-

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.

Nature and purpose of funds

The general fund of HKIAAT of HK\$20,780,000 (2015: HK\$23,612,000) represents the accumulated surplus from the operation and the fund can be used to fulfil the objects of HKIAAT as set out in its Articles of Association. The information about the capital fund of HKIAAT is set out in note 12.

The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund have accumulated funds in total of HK\$5,129,000 (2015: HK\$5,214,000), the use of which is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

Use of bank balances

Included in the Group's time deposits and cash and cash equivalents is an amount in total of HK\$35,404,000 (2015: HK\$40,493,000) which are held by the Institute's subsidiaries and have been designated for the operations by the subsidiaries.

## 7. 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	Total	Accelerated tax depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2014	(1,598)	1,528	(70)	(1,598)	1,528	(70)
Credited to surplus (note 18)	418	356	774	418	356	774
At 30 June 2015 and 1 July 2015	(1,180)	1,884	704	(1,180)	1,884	704
Credited/(Charged) to surplus (note 18)	277	(25)	252	277	(25)	252
<b>At 30 June 2016</b>	<b>(903)</b>	<b>1,859</b>	<b>956</b>	<b>(903)</b>	<b>1,859</b>	<b>956</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	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated tax depreciation	(25)	32	-	-
Other temporary differences	1,657	876	-	-
Tax losses	13,702	10,701	-	-
	<b>15,334</b>	<b>11,609</b>	<b>-</b>	<b>-</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.

## 8. Receivables

	Group		Institute	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accounts receivable	2,538	1,872	2,405	1,733
Amounts due from subsidiaries	-	-	902	1,852
	<b>2,538</b>	<b>1,872</b>	<b>3,307</b>	<b>3,585</b>
Charges for impairment (a)	(518)	(604)	(481)	(567)
	<b>2,020</b>	<b>1,268</b>	<b>2,826</b>	<b>3,018</b>

The accounts receivable mainly are bank interest receivables, and outstanding disciplinary fines and legal costs recovery.

The bank interest receivables are mainly derived from time deposits with reputable and creditworthy banks in Hong Kong. All of the time deposits have a term of less than 12 months. Management considers the interest receivables have low credit risk.

For the receivables relating to the disciplinary fines and legal costs recovery, the Group evaluates the probability of default on a case-by-case basis.

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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
At the beginning of the reporting period	604	127	567	90
Recovery of impaired receivables (note 15)	(68)	(5)	(68)	(5)
Bad debts written off for the year	(18)	(19)	(18)	(19)
Impairment charged during the year	-	501	-	501
At the end of the reporting period	<b>518</b>	<b>604</b>	<b>481</b>	<b>567</b>

The individually impaired receivables have been assessed by management who considers that their risk of default in payment is high. 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Not past due	1,056	724	959	630
Within 30 days past due	650	363	1,553	2,207
31 to 90 days past due	60	23	60	23
91 to 180 days past due	-	8	-	8
181 to 270 days past due	169	28	169	28
Over 270 days past due	85	122	85	122
	<b>964</b>	<b>544</b>	<b>1,867</b>	<b>2,388</b>
	<b>2,020</b>	<b>1,268</b>	<b>2,826</b>	<b>3,018</b>

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, existing market conditions as well as forward looking estimates, 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.



## 9. Cash and cash equivalents

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Bank balances				
- Time deposits with original maturities within three months	7,139	210,815	6,213	201,243
- Savings accounts	6,254	6,398	4,373	4,114
- Current accounts	21,649	17,033	19,434	13,035
Cash on hand	116	94	87	75
	<b>35,158</b>	<b>234,340</b>	<b>30,107</b>	<b>218,467</b>

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.

## 10. Contract balances

Since payments are received in advance, the Group and the Institute do not have any contract assets or receivables from contracts with customers at 30 June 2016 or 1 July 2015. Besides, at 30 June 2016 or 1 July 2015, there are no significant costs to obtain or fulfil contracts with customers to be amortized.

Most of revenue recognized in the current year is not from performance obligations satisfied (or partially satisfied) in previous periods.

### Contract liabilities/subscriptions and fees received in advance

	Group		Institute	
	At 30 June 2016 HK\$'000	At 30 June 2015 HK\$'000	At 30 June 2016 HK\$'000	At 30 June 2015 HK\$'000
Subscription fees received in advance	66,322	64,282	65,557	63,420
Other fees received in advance	14,588	7,374	14,588	6,035
	<b>80,910</b>	<b>71,656</b>	<b>80,145</b>	<b>69,455</b>

The balances in the current year reflect the adoption of HKFRS 15 while the comparative information has not been restated.

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. The contract liabilities mainly relate to (1) the subscription fees received in advance which represent the unearned subscription income for the period from 1 July to 31 December of a year and (2) other fees received in advance which mainly relate to first registration applications to be assessed, and examinations and seminars to be conducted (or, for the balances of 30 June 2016, to be completed) after the end of the reporting period.

Above balances represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, most of which will be recognized as revenue during the next reporting period. No consideration from contracts with customers is excluded from the transaction price.

Significant changes in the balances of contract liabilities during the current year are as follows:

	<b>Group</b>	<b>Institute</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year (as restated)	(74,188)	(71,987)
Increases due to cash received during the year	241,145	238,148
Decrease due to the recognition of revenue for cash received during the year	<u>(160,676)</u>	<u>(158,444)</u>

## 11. Payables and accruals

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Payables	8,422	14,419	8,308	14,249
Amounts due to subsidiaries	-	-	50	53
Accruals	<u>10,903</u>	<u>13,514</u>	<u>10,228</u>	<u>12,614</u>
Financial liabilities (note 4)	19,325	27,933	18,586	26,916
Employee benefits obligations	<u>15,654</u>	<u>15,250</u>	<u>14,584</u>	<u>14,314</u>
	<u><u>34,979</u></u>	<u><u>43,183</u></u>	<u><u>33,170</u></u>	<u><u>41,230</u></u>

Payables and accruals are mainly litigation costs and costs related to examinations, seminars and courses.

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

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

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	11,091	11,963	10,391	10,962
Between 31 and 90 days	7,396	7,632	7,379	7,632
Between 91 and 180 days	22	8,238	-	8,222
Between 181 and 270 days	715	-	715	-
Over 270 days	<u>101</u>	<u>100</u>	<u>101</u>	<u>100</u>
	<u><u>19,325</u></u>	<u><u>27,933</u></u>	<u><u>18,586</u></u>	<u><u>26,916</u></u>

## 12. General fund and capital fund

The general fund of the Institute represents the accumulated surplus from the operation and the fund can be used to fulfil the objects of the Institute as set out in section 7 of the Professional Accountants Ordinance.

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 Directors of HKIAAT. Effective from the year ended 30 June 2009, no capital levy has further been collected.

## 13. Subscriptions and fees

	Group		Institute	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Annual subscriptions fees</b>				
Members (a)	<b>80,097</b>	73,673	<b>80,097</b>	73,673
Practising certificates	<b>22,854</b>	22,318	<b>22,854</b>	22,318
Students	<b>8,333</b>	8,449	<b>7,426</b>	7,392
Firms	<b>10,658</b>	10,714	<b>10,658</b>	10,714
Corporate practices	<b>6,158</b>	6,108	<b>6,158</b>	6,108
Others	<b>1,101</b>	1,231	<b>382</b>	445
<b>First registration fees</b>				
Members	<b>5,332</b>	5,732	<b>5,332</b>	5,732
Practising certificates	<b>721</b>	746	<b>721</b>	746
Students	<b>1,749</b>	1,986	<b>1,584</b>	1,757
Firms	<b>140</b>	172	<b>140</b>	172
Corporate practices	<b>158</b>	268	<b>158</b>	268
Others	<b>96</b>	105	<b>89</b>	100
<b>Other fees</b>				
Advancement to fellowship	<b>214</b>	219	<b>214</b>	219
Assessment for overseas students	<b>972</b>	1,016	<b>972</b>	1,016
	<b>138,583</b>	132,737	<b>136,785</b>	130,660

**a. Members' annual subscription fees**

	<b>Group and Institute</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual subscription fees	<b>83,860</b>	81,199
Less: One-off rebate (i)	<b>(3,763)</b>	(7,526)
	<b>80,097</b>	73,673

(i) In June 2015, the Council approved a one-off rebate of HK\$200 each to members whose names were on the register at 1 January 2015 and have paid the 2015 annual subscription fees. The impact of the adoption of HKFRS 15 on the accounting for rebate of the 2015 annual subscription fees is explained in note 3. The comparative information has not been restated.

**14. Other revenue**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from examinations	<b>76,966</b>	76,275	<b>74,362</b>	72,542
Income from seminars and courses	<b>17,392</b>	16,620	<b>17,368</b>	16,579
Income from member and student activities	<b>1,841</b>	2,344	<b>1,841</b>	2,344
Accreditation income	<b>82</b>	130	<b>75</b>	110
	<b>96,281</b>	95,369	<b>93,646</b>	91,575

**15. Other income**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FRC special levy (a)	<b>7,340</b>	6,990	<b>7,340</b>	6,990
Events sponsorship	<b>2,880</b>	1,944	<b>2,880</b>	1,944
Disciplinary fines and costs recovery	<b>2,148</b>	6,111	<b>2,148</b>	6,111
Interest income	<b>2,357</b>	3,597	<b>2,119</b>	3,244
Sales of goods	<b>1,074</b>	1,049	<b>943</b>	878
Income from advertisements placed in the journals	<b>295</b>	447	<b>295</b>	444
Litigation costs recovery (b)	<b>251</b>	1,446	<b>251</b>	1,446
Income from hardcopy surcharge	<b>901</b>	849	<b>659</b>	671
Commission from professional indemnity insurance master policy	<b>945</b>	805	<b>945</b>	805
Commission from affinity credit card programme	<b>159</b>	169	<b>159</b>	169
Royalty income	<b>25</b>	33	-	-
Donations	<b>34</b>	31	<b>18</b>	18
Income from sub-leasing right-of-use assets/ Operating lease income	<b>156</b>	98	<b>156</b>	98
Recovery of impaired receivables (note 8a)	<b>68</b>	5	<b>68</b>	5
Service fees from HKIAAT	-	-	<b>2,167</b>	2,167
Miscellaneous	<b>102</b>	146	<b>68</b>	58
	<b>18,735</b>	23,720	<b>20,216</b>	25,048

**a. FRC special levy**

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (the "FRC"), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual budget of the FRC. The Institute's share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$7,340,000 (2015: HK\$6,990,000) from such member practices and contributed HK\$7,340,000 (2015: HK\$6,990,000) to the FRC (note 17).

**b. Litigation costs recovery**

	<b>Group and Institute</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Litigation costs recovery for:		
Appeal against a judicial review (i)	<b>220</b>	876
Appeals against disciplinary orders (ii)	<b>31</b>	570
	<b>251</b>	1,446

- (i) During the current year, the Institute recovered HK\$220,000 from an applicant who applied for judicial review on the handling procedure of a complaint against him.

During the year ended 30 June 2015, the Institute recovered HK\$876,000 from the insurers in relation to legal costs incurred in the Court of Final Appeal proceedings for an appeal made by a firm and certain individuals, one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. The appeal was dismissed by the Court of Final Appeal in June 2013.

- (ii) During the current year, the Institute received HK\$31,000 (2015: HK\$570,000) from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against disciplinary orders.

## 16. 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:

2016	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000
<b>Members</b>						
Annual subscription fees	118,975	-	118,975	118,975	-	118,975
Admission and registration	7,848	(5,977)	1,871	7,848	(5,977)	1,871
Standards and regulation	11,433	(47,282)	(35,849)	11,433	(47,282)	(35,849)
Professional development and specialization	16,276	(24,313)	(8,037)	16,276	(24,313)	(8,037)
Interest groups and networking activities	3,086	(12,229)	(9,143)	3,086	(12,400)	(9,314)
	<u>157,618</u>	<u>(89,801)</u>	<u>67,817</u>	<u>157,618</u>	<u>(89,972)</u>	<u>67,646</u>
<b>Qualification</b>	<u>85,828</u>	<u>(57,201)</u>	<u>28,627</u>	<u>85,828</u>	<u>(57,321)</u>	<u>28,507</u>
<b>Corporate functions</b>						
Constitution, governance and corporate activities	1,677	(5,586)	(3,909)	1,677	(5,586)	(3,909)
Branding and communication	2	(5,660)	(5,658)	2	(5,660)	(5,658)
Publications	309	(6,375)	(6,066)	309	(6,375)	(6,066)
Advocacy	-	(999)	(999)	-	(999)	(999)
Legal	-	(3,807)	(3,807)	-	(3,807)	(3,807)
China and international relations	-	(6,150)	(6,150)	-	(6,150)	(6,150)
General administration, finance and operations	3,046	(39,945)	(36,899)	5,213	(42,112)	(36,899)
Depreciation and building related expenses	-	(19,154)	(19,154)	-	(19,154)	(19,154)
	<u>5,034</u>	<u>(87,676)</u>	<u>(82,642)</u>	<u>7,201</u>	<u>(89,843)</u>	<u>(82,642)</u>
<b>HKIAAT Group</b>	<u>5,069</u>	<u>(7,893)</u>	<u>(2,824)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Charitable Fund</b>	<u>15</u>	<u>(103)</u>	<u>(88)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Trust Fund</b>	<u>35</u>	<u>(50)</u>	<u>(15)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>253,599</u></u>	<u><u>(242,724)</u></u>	<u><u>10,875</u></u>	<u><u>250,647</u></u>	<u><u>(237,136)</u></u>	<u><u>13,511</u></u>

2015	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus before tax HK\$'000
<b>Members</b>						
Annual subscription fees	111,964	-	111,964	111,964	-	111,964
Admission and registration	8,286	(5,853)	2,433	8,286	(5,853)	2,433
Standards and regulation	14,763	(43,845)	(29,082)	14,763	(43,845)	(29,082)
Professional development and specialization	16,615	(20,821)	(4,206)	16,615	(20,821)	(4,206)
Interest groups and networking activities	2,942	(11,461)	(8,519)	2,942	(11,940)	(8,998)
	<u>154,570</u>	<u>(81,980)</u>	<u>72,590</u>	<u>154,570</u>	<u>(82,459)</u>	<u>72,111</u>
<b>Qualification</b>	<u>84,184</u>	<u>(52,353)</u>	<u>31,831</u>	<u>84,184</u>	<u>(52,783)</u>	<u>31,401</u>
<b>Corporate functions</b>						
Constitution, governance and corporate activities	1,547	(6,106)	(4,559)	1,547	(6,106)	(4,559)
Branding and communication	1	(4,992)	(4,991)	1	(4,992)	(4,991)
Publications	446	(6,365)	(5,919)	446	(6,365)	(5,919)
Advocacy	-	(1,575)	(1,575)	-	(1,575)	(1,575)
Legal	-	(3,892)	(3,892)	-	(3,892)	(3,892)
China and international relations	211	(8,776)	(8,565)	211	(8,776)	(8,565)
General administration, finance and operations	4,156	(37,379)	(33,223)	6,323	(39,546)	(33,223)
Depreciation and building related expenses	1	(20,769)	(20,768)	1	(20,769)	(20,768)
	<u>6,362</u>	<u>(89,854)</u>	<u>(83,492)</u>	<u>8,529</u>	<u>(92,021)</u>	<u>(83,492)</u>
<b>HKIAAT Group</b>	<u>6,652</u>	<u>(9,267)</u>	<u>(2,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Charitable Fund</b>	<u>12</u>	<u>(201)</u>	<u>(189)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Trust Fund</b>	<u>46</u>	<u>(49)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>251,826</u>	<u>(233,704)</u>	<u>18,122</u>	<u>247,283</u>	<u>(227,263)</u>	<u>20,020</u>

## 17. Surplus before tax

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 19)	130,750	125,511	124,954	118,683
Depreciation of fixed assets	13,809	12,945	13,103	12,858
Contribution to FRC (note 15a)	7,340	6,990	7,340	6,990
Auditor's remuneration	416	404	323	312
Allowance for obsolete inventories	160	44	160	44
Cost of goods sold	326	371	323	366
Donations (a)	23	14	73	64
Exchange loss	1,369	57	1,357	61
Impairment of fixed assets	-	480	-	480
Impairment of receivables	-	501	-	501
Interest on lease liabilities	104	-	69	-
Loss on disposal of fixed assets	3	83	3	85
Obsolete inventories written off	17	9	16	9
Recovery of impaired receivables (note 8a)	(68)	(5)	(68)	(5)
Recovery of obsolete inventories written off	(1)	(1)	(1)	(1)
Uncollectible amounts written off	12	15	12	15

a. During the current year, the Institute donated HK\$50,000 (2015: HK\$50,000) to The HKICPA Charitable Fund.

## 18. Income tax charge

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Current tax</b>				
<i>Hong Kong Profits Tax:</i>				
Current year	2,967	4,281	2,967	4,281
Overprovision in prior year	(20)	(20)	(20)	(20)
	2,947	4,261	2,947	4,261
<i>Mainland China income tax:</i>				
Current year	143	23	-	-
Overprovision in prior year	(8)	-	-	-
Total current tax charge	3,082	4,284	2,947	4,261
<b>Deferred tax</b>				
Origination and reversal of temporary differences (note 7a)	(252)	(774)	(252)	(774)
<b>Total tax charge</b>	<b>2,830</b>	<b>3,510</b>	<b>2,695</b>	<b>3,487</b>



Hong Kong Profits Tax has been provided at 16.5% (2015: 16.5%) on the estimated taxable surplus arising in Hong Kong during the current year. Mainland China income tax has been provided at the statutory rate of 25% (2015: 25%) in accordance with the relevant tax laws in Mainland China.

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

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Surplus before tax	<b>10,875</b>	18,122	<b>13,511</b>	20,020
Tax at the applicable rate of 16.5% (2015: 16.5%)	<b>1,794</b>	2,990	<b>2,229</b>	3,303
Tax effect of different tax rate for a subsidiary in Mainland China	<b>21</b>	73	-	-
Tax effect of non-deductible expenses (a)	<b>1,386</b>	823	<b>1,327</b>	739
Tax effect of non-assessable income (a)	<b>(1,047)</b>	(668)	<b>(841)</b>	(535)
Tax effect of unrecognized tax losses	<b>495</b>	449	-	-
Tax effect of temporary differences not recognized	<b>181</b>	(76)	-	-
Overprovision in prior year	<b>(28)</b>	(20)	<b>(20)</b>	(20)
Others	<b>28</b>	(61)	-	-
<b>Total tax charge</b>	<b>2,830</b>	3,510	<b>2,695</b>	3,487

- a. The current-year amounts include the tax impact of a portion of the 2015 annual subscription rebate and certain costs and income relating to the June 2015 examinations that were previously recognized in the year ended 30 June 2015 and are now deferred to and recognized in the year ended 30 June 2016 as a result of the early adoption of HKFRS 15 as explained in note 3. As the profits tax assessment for the previous year has been finalized, those income and expenses are excluded from the current year's tax computation in order to avoid double-counting.

## 19. Employee benefits

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	<b>122,700</b>	117,616	<b>117,359</b>	111,338
Provident fund contributions	<b>8,050</b>	7,895	<b>7,595</b>	7,345
	<b>130,750</b>	125,511	<b>124,954</b>	118,683
<b>Number of staff</b>				
At the beginning of the reporting period	<b>203</b>	196	<b>189</b>	181
At the end of the reporting period	<b>205</b>	203	<b>191</b>	189

## 20. Key management personnel remuneration

	Group and Institute	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chief Executive and Registrar		
Salaries and allowances (a)	4,188	4,307
Performance bonus	640	782
Retirement benefits	18	18
	4,846	5,107

- a. The amount includes accruals for unused annual leave entitlements, gratuity and other employee benefits.

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

## 21. 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\$325,000 (2015: HK\$323,000) in respect of services provided by United International College ("UIC"), of which a Council member of the Institute is a member of the senior management, for the promotion of the Institute's qualification programme and rental of training rooms in Mainland China. At 30 June 2016, included in "Payables and accruals" is an amount of HK\$14,000 (2015: Nil) due to UIC. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (ii) During the current year, the Institute incurred expenses of HK\$798,000 (2015: HK\$862,000) 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.
- (iii) During the current year, the Institute incurred expenses of HK\$729,000 (2015: HK\$671,000) for expert witness and other legal services on disciplinary cases and re-write of course materials provided by PricewaterhouseCoopers Limited ("PwC"), of which a Council member of the Institute is a director. At 30 June 2016, included in "Payables and accruals" is an amount of HK\$288,000 (2015: HK\$496,000) due to PwC. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (iv) During the current year, the Institute incurred expenses of HK\$1,655,000 mainly for the development of new CPA qualification framework (2015: HK\$104,000 mainly for the development of specialist qualification in taxation) by Deloitte Touche Tohmatsu ("DTT"), of which a Council member of the Institute is a partner. The outstanding commitment in respect of this service contract at 30 June 2016 is HK\$345,000 (2015: Nil). At 30 June 2015, included in "Payables and accruals" was an amount of HK\$384,000 due to DTT. The amount outstanding was unsecured, interest-free and settled during the current year.
- (v) During the current year, the Institute incurred expenses of HK\$126,000 (2015: HK\$5,000) mainly for the update of international tax course materials provided by Ernst & Young, of which a Council member of the Institute is a partner.

In addition, the Group and the Institute received income in the ordinary course of business, such as 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, acting as monitors, assisting in accreditation, 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\$3,463,000 (2015: HK\$4,500,000) 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 2015, included in "Receivables" of the Institute was an amount of HK\$900,000 due from HKICPA Beijing.

**(ii) The HKICPA Charitable Fund**

During the current year, the Institute donated HK\$50,000 (2015: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2016, included in "Payables and accruals" of the Institute is an amount of HK\$50,000 (2015: HK\$50,000) due to The HKICPA Charitable Fund.

**(iii) The HKICPA Trust Fund**

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

**(iv) HKIAAT**

During the current year, the Institute charged service fees of HK\$2,167,000 (2015: HK\$2,167,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$3,705,000 (2015: HK\$4,595,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2016, included in "Receivables" of the Institute is an amount of HK\$832,000 (2015: HK\$952,000) due from HKIAAT arising from the services provided.

**(v) The HKIAAT Trust Fund**

At 30 June 2016, included in "Receivables" of the Institute is an amount of HK\$70,000 (2015: Nil) due from The HKIAAT Trust Fund.

**22. Financial risk management**

Financial instruments mainly consist of receivables, time deposits, cash and cash equivalents, payables and accruals, and lease liabilities. 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	
	2016	2015	2016	2015
	% p.a.	% p.a.	% p.a.	% p.a.
Time deposits	0.72%	1.11%	0.69%	1.26%
Savings accounts	0.06%	0.03%	0.07%	0.03%

The Group's and the Institute's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers the Group and the Institute have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Group and the Institute did not have any variable 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Time deposits				
- with original maturities within three months	7,139	210,815	6,213	201,243
- with original maturities over three months	317,112	94,903	286,759	70,283
	<u>324,251</u>	<u>305,718</u>	<u>292,972</u>	<u>271,526</u>

#### Impact of interest rate deviation

Change in interest rate by 0.25% (2015: 0.25%)

- Change in surplus before tax and funds and reserve	<u>811</u>	<u>764</u>	<u>732</u>	<u>679</u>
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Time deposits with original maturities over three months carry interest at market rates from 0.28% to 1.4% (2015: 0.7% to 2.68%) 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 consider the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Institute compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Institute consider reasonable and supportive forward-looking information that is available, including the following indicators:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment pattern of debtors.

A default on a financial asset is assessed on a case-by-case basis but generally occurs when the contractual payments are 90 days or more past due.

Financial assets are written off when there is no reasonable expectation of recovery.

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. Sales of goods are made in cash or via 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 8 to the financial statements.

Most of the Group's and the Institute's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. In accordance with the Group's bank deposit policy, 90% of those funds are deposited with banks that have a "A" grade credit rating or higher as rated by two international credit rating agencies. Management considers there is minimal credit risk associated with those balances.

**c. Liquidity risk**

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

**d. Foreign currency risk**

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have bank balances denominated in RMB in total of HK\$1,178,000 and HK\$550,000 (2015: HK\$34,370,000 and HK\$33,259,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$628,000 (2015: HK\$1,111,000) is held by HKICPA Beijing for the operations in Mainland China. The exposure to foreign currency risk is primarily caused by the fluctuation in the exchange rate of RMB. The exposure is not expected to be significant.

**23. 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 12). 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.

**24. Operating lease commitments**

Before adoption of HKFRS 16, the Group and the Institute had operating leases on premises at two industrial and one office buildings at 30 June 2015. The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	-	962	-	253
Between one and five years	-	1,170	-	19
	-	2,132	-	272

Upon adoption of HKFRS 16, the present value of future minimum lease payments, which are no longer disclosed as commitments as shown above, is recognized as right-of-use assets. The comparative information has not been restated.

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.

**25. Capital commitments**

	<b>Group</b>		<b>Institute</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of computer equipment contracted but not provided for in the financial statements	<b>1,386</b>	2,490	<b>1,386</b>	2,460

**26. Comparative information**

As explained in note 2b, the Group and the Institute have applied HKFRSs 15 and 16 retrospectively in accordance with the transitional provisions therein using the cumulative effect method. Therefore, the comparative information has not been restated and it is not entirely comparable with the current-year information.

# *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 86 to 93, which comprise the statement of financial position at 30 June 2016, 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 2016, 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

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

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

20 September 2016

## Statement of Financial Position

		At 30 June 2016	
	<i>Note</i>	2016 HK\$	2015 HK\$
<b>Current assets</b>			
Other receivables	4	15,110	12,978
Amount due from the Institute	5	-	3,400
Time deposits with original maturities over three months		3,778,282	3,836,863
Cash and cash equivalents	6	95,927	50,472
<b>Net assets</b>		<b>3,889,319</b>	<b>3,903,713</b>
<b>Accumulated funds</b>		<b>3,889,319</b>	<b>3,903,713</b>

Approved by the Trustees on 20 September 2016

Cheung Wing Han, Ivy  
Trustee

Dennis Ho  
Trustee

Mabel M.B. Chan  
Trustee

Wong Hong Yuen  
Trustee

## Statement of Comprehensive Income

		For the year ended 30 June 2016	
	<i>Note</i>	2016 HK\$	2015 HK\$
<b>Revenue</b>			
Donations	7	200	-
Interest income		34,995	46,182
		<b>35,195</b>	<b>46,182</b>
<b>Expenses</b>			
Grants to members	8	(47,939)	(47,663)
Bank charges		(1,650)	(1,650)
		<b>(49,589)</b>	<b>(49,313)</b>
<b>Deficit</b>		<b>(14,394)</b>	<b>(3,131)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Comprehensive income</b>		<b>(14,394)</b>	<b>(3,131)</b>



## Statement of Changes in Accumulated Funds

For the year ended 30 June 2016

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
<b>Accumulated funds</b>		
At the beginning of the reporting period	3,903,713	3,906,844
Deficit	(14,394)	(3,131)
Other comprehensive income	-	-
Comprehensive income	(14,394)	(3,131)
<b>At the end of the reporting period</b>	<b>3,889,319</b>	<b>3,903,713</b>

## Statement of Cash Flows

For the year ended 30 June 2016

		2016	2015
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Cash flows from operating activities</b>			
Deficit		(14,394)	(3,131)
(Increase)/Decrease in other receivables		(2,132)	860
Decrease/(Increase) in amount due from the Institute		3,400	(3,400)
Decrease/(Increase) in time deposits with original maturities over three months		58,581	(1,061,419)
<b>Net cash generated from/(utilized in) operating activities and net increase/(decrease) in cash and cash equivalents</b>		<b>45,455</b>	<b>(1,067,090)</b>
Cash and cash equivalents at the beginning of the reporting period		50,472	1,117,562
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>6</b>	<b>95,927</b>	<b>50,472</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 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 financial assets*

The impairment provisions for financial assets are based on assumptions about risk of default. The Trust Fund uses judgment in making these assumptions based on the Trust Fund’s past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 9b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 financial statements, except for the early adoption, for the first time, of new/revised HKFRSs as explained in note 2b below.

New/revised HKFRSs issued on or before 30 June 2015 had been early adopted by the Trust Fund in prior years, except for HKFRS 9 (2014) and HKFRS 15. The following revised HKFRS, which is applicable to the Trust Fund but is not yet effective for the current year, has been early adopted in prior year:

Amendments to HKAS 1      “Disclosure Initiative”

#### b. New/revised HKFRSs

##### *Issued up to 30 June 2016*

The Institute has issued certain new/revised HKFRSs that are available for early adoption. The Trust Fund has elected to early adopt, for the first time, the following new HKFRS, which is relevant to its operation:

HKFRS 9 (2014)      “Financial Instruments”

##### *HKFRS 9 (2014)*

In September 2014, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. The adoption of those requirements has no significant impact to the Trust Fund.

*Issued after 30 June 2016*

The revised HKFRS issued after 30 June 2016 and up to the date of approval of these financial statements is not early adopted by the Trust Fund, and even adopted, has no significant impact.

**c. Financial instruments**

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

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

**d. Impairment of financial assets**

Before the adoption of HKFRS 9 (2014), the Trust Fund recognized charges for impaired receivables promptly where there was objective evidence that impairment of a receivable had occurred. The impairment of a receivable carried at amortized cost was 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 were assessed individually for significant receivables.

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

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

In adopting HKFRS 9 (2014), the Trust Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Trust Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Trust Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

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. The receivable is written off against the receivable impairment charges account when the Trust Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. 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>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Other receivables	15,110	12,978
Amount due from the Institute	-	3,400
Time deposits with original maturities over three months	3,778,282	3,836,863
Cash and cash equivalents	95,927	50,472
	<u>3,889,319</u>	<u>3,903,713</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>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Short term loan to a member of the Institute	<b>37,170</b>	37,170
Interest receivable	<b>15,110</b>	12,978
	<b>52,280</b>	50,148
Impairment charge on loan to a member of the Institute	<b>(37,170)</b>	(37,170)
	<b>15,110</b>	12,978

There are no movements on the charge for impairment on the loan to a member of the Institute during both years.

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

**5. Amount due from the Institute**

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

**6. Cash and cash equivalents**

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Savings account	<b>26,790</b>	27,290
- Current account	<b>69,137</b>	23,182
	<b>95,927</b>	50,472

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

**7. Donations**

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Donation from other parties	<b>200</b>	-

**8. Grants to members**

During the current year, grants totaling HK\$47,939 (2015: HK\$47,663) were paid to help alleviate members of the Institute facing financial hardship.

## 9. Financial risk management

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

### a. Interest rate risk

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

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

	2016	2015
	% <i>p.a.</i>	% <i>p.a.</i>
Time deposits	0.95%	1.16%
Savings accounts	0.001%	0.001%

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

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

	2016	2015
	HK\$	HK\$
Time deposits		
- with original maturities over three months	3,778,282	3,836,863

### Impact of interest rate deviation

Change in interest rate by 0.25% (2015: 0.25%)

- Change in deficit and accumulated funds	9,446	9,592
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Time deposits with original maturities over three months carry interest at market rates from 0.75% to 1.15% (2015: 0.94% to 1.15%) per annum and have maturities ranging from six to twelve months.

**b. Credit risk**

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

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

The Trust Fund's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

**10. 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 95 to 100, which comprise the statement of financial position at 30 June 2016, 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 2016, 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

20 September 2016

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



## Statement of Financial Position

		At 30 June 2016	
		2016	2015
		HK\$	HK\$
	Note		
<b>Current assets</b>			
Amount due from the Institute	4	50,000	50,000
Cash and cash equivalents	5	1,160,131	1,197,725
<b>Net assets</b>		<b>1,210,131</b>	<b>1,247,725</b>
<b>Accumulated funds</b>		<b>1,210,131</b>	<b>1,247,725</b>

Approved by the Trustees on 20 September 2016

Cheung Wing Han, Ivy  
Trustee

Dennis Ho  
Trustee

Ding Wai Chuen, Raphael  
Trustee

## Statement of Comprehensive Income

		For the year ended 30 June 2016	
		2016	2015
		HK\$	HK\$
	Note		
<b>Revenue</b>			
Donations	6	65,530	60,970
Interest income		66	291
		<b>65,596</b>	<b>61,261</b>
<b>Expenses</b>			
Sponsorship		(102,120)	(199,000)
Bank charges		(1,070)	(850)
		<b>(103,190)</b>	<b>(199,850)</b>
<b>Deficit</b>		<b>(37,594)</b>	<b>(138,589)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Comprehensive income</b>		<b>(37,594)</b>	<b>(138,589)</b>

## Statement of Changes in Accumulated Funds

	For the year ended 30 June 2016	
	2016	2015
	HK\$	HK\$
<b>Accumulated funds</b>		
At the beginning of the reporting period	1,247,725	1,386,314
Deficit	(37,594)	(138,589)
Other comprehensive income	-	-
Comprehensive income	(37,594)	(138,589)
<b>At the end of the reporting period</b>	<b>1,210,131</b>	<b>1,247,725</b>

## Statement of Cash Flows

	Note	For the year ended 30 June 2016	
		2016	2015
		HK\$	HK\$
<b>Cash flows from operating activities</b>			
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents		(37,594)	(138,589)
Cash and cash equivalents at the beginning of the reporting period		1,197,725	1,336,314
<b>Cash and cash equivalents at the end of the reporting period</b>	5	<b>1,160,131</b>	<b>1,197,725</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 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 2015 financial statements, except for the early adoption, for the first time, of new/revised HKFRSs as explained in note 2b below.

New/revised HKFRSs issued on or before 30 June 2015 had been early adopted by the Charitable Fund in prior years, except for HKFRS 9 (2014) and HKFRS 15. The following revised HKFRS, which is applicable to the Charitable Fund but is not yet effective for the current year, has been early adopted in prior year:

Amendments to HKAS 1 “Disclosure Initiative”

#### b. New/revised HKFRSs

##### *Issued up to 30 June 2016*

The Institute has issued certain new/revised HKFRSs that are available for early adoption. The Charitable Fund has elected to early adopt, for the first time, the following new HKFRS, which is relevant to its operation:

##### *HKFRS 9 (2014)*

In September 2014, the impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit were added. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. The adoption of those requirements has no significant impact to the Charitable Fund.

##### *Issued after 30 June 2016*

The revised HKFRS issued after 30 June 2016 and up to the date of approval of these financial statements is not early adopted by the Charitable Fund, and even adopted, has no significant impact.

#### 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**

Before the adoption of HKFRS 9 (2014), the Charitable Fund recognized charges for impaired receivables promptly where there was objective evidence that impairment of a receivable had occurred. The impairment of a receivable carried at amortized cost was 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 were assessed individually for significant receivables.

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

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

In adopting HKFRS 9 (2014), the Charitable Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Charitable Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Charitable Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

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. The receivable is written off against the receivable impairment charges account when the Charitable Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. 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:
- has control or joint control over the Charitable Fund;
  - has significant influence over the Charitable Fund; or
  - 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:
- 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).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the Charitable Fund or an entity related to the Charitable Fund.
  - The entity is controlled or jointly controlled by a person identified in (i).
  - A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - 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>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Amount due from the Institute	<b>50,000</b>	50,000
Cash and cash equivalents	<b>1,160,131</b>	1,197,725
	<b>1,210,131</b>	1,247,725

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>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Savings accounts	<b>1,090,495</b>	1,091,279
- Current accounts	<b>69,636</b>	106,446
	<b>1,160,131</b>	1,197,725

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

## 6. Donations

	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
Donation from the Institute	50,000	50,000
Donation from other parties	15,530	10,970
	<u>65,530</u>	<u>60,970</u>

## 7. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2015: HK\$50,000) from the Institute. At 30 June 2016, the amount due from the Institute is HK\$50,000 (2015: 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 funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

## 9. Capital management

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





Hong Kong Institute of  
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