

**THE SOCIETY OF CHINESE ACCOUNTANTS  
AND AUDITORS**

**REPORT OF THE COUNCIL  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

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## **THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

### **REPORT OF THE COUNCIL**

The Council of The Society of Chinese Accountants and Auditors (“the Society”) has pleasure in submitting its Annual Report and the audited financial statements for the year ended 31<sup>st</sup> March, 2017.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Society are to raise the status and advance the interest of accountants by the dissemination of professional knowledge and the indoctrination of sound practice.

### **FINANCIAL STATEMENTS**

The financial performance of the Society for the year ended 31<sup>st</sup> March, 2017 and the financial position of the Society at that date are set out in the financial statements on pages 6 to 25.

### **DONATIONS**

Charitable donations made by the Society during the year amounting to HK\$78,100.

### **COUNCIL MEMBERS**

The Council Members during the year and up to the date of this report were: -

Mr. Choi Kwok Wai (Ronnie) (President)	
Mr. Chen Chi Hing (Andrew) (Vice President)	
Mr. Yu Kwong Man (Tanny) (Hon. Secretary)	
Mr. Wong Chun Sek, Edmund (Hon. Treasurer)	
Mr. Chan Dao Ming, Dominic	
Mr. Chan Ka Ling, Edmond	
Ms. Chan Suk Ling (Bella)	
Mr. Chau Kam Wing, Donald	
Ms. Chua Suk Lin, Ivy	
Mr. Fan Chun Wah, Andrew	
Mr. Fung Lak, Philip	
Mr. Kam Yiu Shing, Tony	
Mr. Kwok Chi Shing (Wilson)	(Elected on 16.12.2016)
Mr. Lam Chi Yuen, Nelson	
Mr. Lau Kai Hing	
Mr. Lau Kwok Hung (Kenneth)	(Elected on 16.12.2016)
Ms. Law, Elizabeth	
Ms. Man See Yee (Florence)	
Mr. Ng Kam Wah, Webster	(Elected on 16.12.2016)
Mr. Pang Tsun Loy, Michael	
Mr. Tam King Ching, Kenny	
Mr. Tan Yik Chung, Wilson	(Retired on 16.12.2016)
Mr. Wong Lung Tak, Patrick	
Mr. Yeung Chi Wai (Edwin)	
Mr. Yip Ka Ki	(Retired on 16.12.2016)

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### REPORT OF THE COUNCIL

#### COUNCIL MEMBERS (CONT'D)

In accordance with article 68 of the Articles of Association of the Society, Mr. Chen Chi Hing (Andrew), Ms. Chua Suk Lin, Ivy, Mr. Fung Lak, Philip, Mr. Lam Chi Yuen, Nelson, Mr. Pang Tsun Loy, Michael, Mr. Wong Chun Sek, Edmund, Ms. Law, Elizabeth and Mr. Wong Lung Tak, Patrick shall retire from office, but shall be eligible for re-election.

*Council Members' material interest in transactions, arrangements and contracts that are significant in relation to the Society's business*

Except for details disclosed in note 16 to the financial statements, no other transactions, arrangements and contracts of significance to which the Society was a party and in which a council member of the Society had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

*Council Members' interests in the shares and debentures of the Society or any other body corporate*

At no time during the year was the Society a party to any arrangements to enable the Council Members of the Society to acquire benefits by means of the acquisition of shares in, or debentures of, the Society or any other body corporate.

#### PERMITTED INDEMNITY PROVISIONS

At no time during the year or up to the date of this Report of the Council, there was or is, any permitted indemnity provision being in force for the benefit of any of the council members of the Society (whether made by the Society or otherwise).

#### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Society were entered into or existed during the year.

#### HONORARY AUDITOR

The financial statements have been audited by Messrs. Li, Tang, Chen & Co., who retire but, being eligible, offer themselves for re-appointment.

On behalf of the Council



.....  
Choi Kwok Wai (Ronnie)  
President

Hong Kong, 03 NOV 2017



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**  
(a company incorporated in Hong Kong and limited by guarantee)

**OPINION**

We have audited the financial statements of The Society of Chinese Accountants and Auditors ("the Society") set out on pages 6 to 25, which comprise the statement of financial position as at 31<sup>st</sup> March, 2017, and the statement of income and expenditure and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes on the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 31<sup>st</sup> March, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**BASIS FOR OPINION**

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

**INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The council members are responsible for the other information. The other information comprises the information included in the report of the Council, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **RESPONSIBILITIES OF COUNCIL MEMBERS FOR THE FINANCIAL STATEMENTS**

The council members are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the council members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The council members of the Society are responsible for overseeing the Society's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.

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**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS  
(CONT'D)**

- Conclude on the appropriateness of the council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Li Tang Chen & Co.*

Li, Tang, Chen & Co.  
Certified Public Accountants (Practising)  
10/F Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

03 NOV 2017

AWSP/KKWK:al

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**STATEMENT OF INCOME AND EXPENDITURE**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

	<u>Note</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
<b>REVENUE</b>	6		
Members' subscriptions		299,940	289,800
Seminar and training course income		<u>1,273,115</u>	<u>1,033,450</u>
		1,573,055	1,323,250
		-----	-----
<b>OTHER INCOME</b>			
Bank interest income		11,899	8,098
Company search income		225,830	292,510
Dividends from listed investments		2,650	49,729
Land search income		214,910	266,970
Official visit income		114,510	102,843
Gain on disposal of available-for-sale financial assets		24,087	40,847
Recreational activities income		64,220	9,440
Rental income		4,200	4,071
Sundry income		<u>92,491</u>	<u>258,479</u>
		754,797	1,032,987
		-----	-----
<b>EXPENDITURE</b>			
AGM dinner		40,322	55,537
Bank charges		6,248	6,002
Building management fee		84,960	84,960
Cleaning fee		30,000	27,300
Company search expenses		168,900	192,700
Computer expenses		6,066	10,940
Depreciation on property, plant and equipment		224,167	230,888
Insurance		20,247	20,328
Land search expenses		182,180	257,030
Liaison and official visit expenses		104,400	122,617
Members' dinners and meeting expenses		48,185	54,702
Mandatory provident fund contributions		34,842	35,339
National Day dinner		11,196	13,780
Office supplies		7,707	3,918
Printing, postage and stationery		39,870	62,288
Recreational activities expenses		58,905	9,129
Rent and rates		19,700	17,500

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**  
**STATEMENT OF INCOME AND EXPENDITURE**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

	<u>Note</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
<b>EXPENDITURE (CONT'D)</b>			
Repairs and maintenance		4,020	2,500
Salaries		735,065	729,769
Seminar and training course expenses		241,584	176,379
Donation to SCAA Charitable Trust		78,100	57,590
Spring dinner expenses		71,021	153,256
Staff welfare		1,500	2,845
Sundry expenses		142,688	82,145
Telephone and fax		17,346	13,567
Travelling expenses		466	756
Water and electricity		12,491	14,320
Exchange loss		85	-
		<u>2,392,261</u>	<u>2,438,085</u>
<b>DEFICIT BEFORE TAXATION</b>		(64,409)	(81,848)
<b>INCOME TAX EXPENSE</b>	7	<u>(29,948)</u>	<u>(30,302)</u>
<b>DEFICIT FOR THE YEAR</b>		<u>(94,357)</u>	<u>(112,150)</u>

THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017

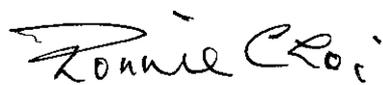
	<u>2017</u> HK\$	<u>2016</u> HK\$
<b>DEFICIT FOR THE YEAR</b>	(94,357)	(112,150)
	-----	-----
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to surplus and deficit		
Available-for-sale financial assets:		
- Fair value changes during the year	34,389	(26,056)
- Reclassification adjustments		
- Released upon disposal of available-for-sale financial assets	(22,496)	(265,725)
	<u>11,893</u>	<u>(291,781)</u>
	-----	-----
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>(82,464)</u>	<u>(403,931)</u>
	=====	=====

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

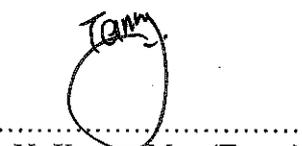
**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH, 2017**

	<u>Notes</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	7,910,681	8,125,768
Available-for-sale financial assets	10	<u>291,375</u>	<u>169,818</u>
		8,202,056	8,295,586
<b>CURRENT ASSETS</b>			
Deposits and other receivables	11	145,842	335,394
Time deposits with original maturity over three months		1,010,868	1,003,295
Cash and cash equivalents	12	<u>7,373,100</u>	<u>6,346,871</u>
		8,529,810	7,685,560
<b>CURRENT LIABILITIES</b>			
Other payables and temporary receipt	13	851,714	501,238
Tax payable		<u>42,222</u>	<u>42,222</u>
		893,936	543,460
<b>NET CURRENT ASSETS</b>		<u>7,635,874</u>	<u>7,142,100</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,837,930	15,437,686
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation	14	<u>197,736</u>	<u>167,788</u>
<b>NET ASSETS</b>		<u>15,640,194</u>	<u>15,269,898</u>
<b>GENERAL FUND</b>		8,830,821	8,925,178
<b>BUILDING FUND</b>		6,793,698	6,340,938
<b>FAIR VALUE RESERVE</b>		<u>15,675</u>	<u>3,782</u>
		<u>15,640,194</u>	<u>15,269,898</u>

The financial statements on pages 6 to 25 were approved and authorised for issue by the Council on 03 NOV 2017

  
 Choi Kwok Wai (Ronnie)  
 President

  
 Wong Chun Sek, Edmund  
 Hon. Treasurer

  
 Yu Kwong Man (Tanny)  
 Hon. Secretary

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**STATEMENT OF CHANGES IN FUNDS AND RESERVES**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

	General Fund HK\$	Building Fund HK\$	Fair value Reserve HK\$	Total Funds HK\$
Balance at 1.4.2015	9,037,328	5,903,088	295,563	15,235,979
Deficit for the year	(112,150)	-	-	(112,150)
Other comprehensive loss	-	-	(291,781)	(291,781)
Total comprehensive loss	(112,150)	-	(291,781)	(403,931)
Members' contributions	-	437,850	-	437,850
	<u>(112,150)</u>	<u>437,850</u>	<u>(291,781)</u>	<u>33,919</u>
Balance at 31.3.2016 and 1.4.2016	8,925,178	6,340,938	3,782	15,269,898
Deficit for the year	(94,357)	-	-	(94,357)
Other comprehensive income	-	-	11,893	11,893
Total comprehensive loss	(94,357)	-	11,893	(82,464)
Members' contributions	-	452,760	-	452,760
	<u>(94,357)</u>	<u>452,760</u>	<u>11,893</u>	<u>370,296</u>
Balance at 31.3.2017	<u>8,830,821</u>	<u>6,793,698</u>	<u>15,675</u>	<u>15,640,194</u>

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

	<u>Note</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
<b>OPERATING ACTIVITIES</b>			
Deficit before taxation		(64,409)	(81,848)
Adjustments for:			
Gain on disposal of available-for-sale financial assets		(24,087)	(40,847)
Depreciation		224,167	230,888
Dividends from listed investments		(2,650)	(49,729)
Interest income		(11,899)	(8,098)
<b>Operating surplus before changes in working capital</b>		<u>121,122</u>	<u>50,366</u>
Decrease/(increase) in deposits and other receivables		189,552	(213,246)
Increase in time deposits with original maturity over three months		(7,573)	(1,003,295)
Increase in other payables and provisions		<u>350,476</u>	<u>373,680</u>
<b>Net cash generated from/(used in) operating activities</b>		<u>653,577</u>	<u>(792,495)</u>
		-----	-----
<b>INVESTING ACTIVITIES</b>			
Dividend received		2,650	49,729
Interest received		11,899	8,098
Purchase of property, plant and equipment		(9,080)	(20,930)
Net proceeds on disposal of available-for-sale financial assets		261,123	1,193,922
Investment in available-for-sale financial assets		(346,700)	-
<b>Net cash (used in)/generated from investing activities</b>		<u>(80,108)</u>	<u>1,230,819</u>
		-----	-----
<b>FINANCING ACTIVITY</b>			
Members' contributions received directly credited to Building Fund		<u>452,760</u>	<u>437,850</u>
<b>Net cash generated from an financing activity</b>		<u>452,760</u>	<u>437,850</u>
		-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,026,229	876,174
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>6,346,871</u>	<u>5,470,697</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>7,373,100</u>	<u>6,346,871</u>
		=====	=====
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	12	<u>7,373,100</u>	<u>6,346,871</u>
		=====	=====

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. SOCIETY'S INFORMATION

The Society of Chinese Accountants and Auditors (the "Society") is a company incorporated in Hong Kong and limited by guarantee. The Society's principal activities are to raise the status and advance the interest of accountants by dissemination of professional knowledge and the indoctrination of sound practice.

Every Member of the Society undertakes to contribute to the assets of the Society in the event of its being wound up while he is a Member, or within one year afterwards, for payment of the debts and liabilities of the Society contracted before he ceases to be a Member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributory amongst themselves, such amount as may be required not exceeding HK\$10.

The address of its registered office and principal place of operation is Commercial Unit on 6<sup>th</sup> Floor, No. 88 Lockhart Road, Wanchai, Hong Kong.

#### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Society. The council members consider that those new HKFRSs and amendments to HKFRSs have no material impact on the Society's financial statements for the current and prior years.

The Society has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 18).

#### 3. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Society's financial statements have been prepared in accordance with the HKFRSs, which also include Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 4.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the financial statements

The measurement basis used in preparing the financial statements is historical cost, except for available-for-sale financial assets, which are stated at fair value. The accounting policy on available-for-sale financial assets is summarised in note 4e.

b) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

c) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and any impairment losses.

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

Land and building	50 years from the year of acquisition or the unexpired term of lease, if shorter
Others	5 years

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### c) Property, plant and equipment (cont'd)

The Society assesses at the end of each reporting period whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Society estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in the statement of income and expenditure.

Gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of income and expenditure when the item is derecognised and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

##### d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Society is the lessor, assets leased by the Society under operating leases are included in property, plant and equipment, and rentals receivable under the operating leases are credited to the statement of income and expenditure on a straight-line basis over the lease term. Where the Society is the lessee, rentals payable under the operating leases are charged to the statement of income and expenditure on the straight-line basis over the lease term.

##### e) Investments

Investments are recognised and derecognised on the trade date when the Society commits itself to purchase or sell an asset and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. At the end of each reporting period, the Society assesses whether there is any objective evidence that an investment or group of investments is impaired.

##### i) Available-for-sale financial assets

Investments other than those held for trading and held to maturity are classified as available-for-sale financial assets and are stated in the statement of financial position at fair value. Gain or loss on the fair value changes of available-for-sale financial assets is recognised in other comprehensive income and accumulated separately in funds and reserves in the fair value reserve, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the statement of income and expenditure.

When the available-for-sale financial assets are derecognised, the cumulative gain or loss previously recognised in funds and reserves is reclassified to the statement of income and expenditure. Where the available-for-sale financial assets are interest-bearing, interest calculated using the effective interest method is recognised in the statement of income and expenditure.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### e) Investments (cont'd)

##### i) Available-for-sale financial assets (cont'd)

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in funds and reserves and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in funds and reserves is removed from funds and reserves and recognised in the statement of income and expenditure even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from funds and reserves and recognised in the statement of income and expenditure is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income and expenditure.

Impairment losses recognised in the statement of income and expenditure for an investment in an equity instrument classified as available-for-sale are not reversed through the statement of income and expenditure. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income and expenditure, the impairment loss is reversed, with the amount of the reversal recognised in the statement of income and expenditure.

##### ii) Fair value

For investments quoted in an active market, the fair value of an investment is based on the current bid price.

##### f) Translation of foreign currencies

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Society's functional and presentation currency.

Foreign currency transactions during the year are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Differences on foreign currency translation are dealt with in the statement of income and expenditure.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Other receivables

Other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

At the end of each reporting period, the Society assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on other receivables are recognised in the statement of income and expenditure when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition.

h) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the Society's cash management are included as a component of cash and cash equivalents.

i) Other payables

Other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

j) Retirement benefit costs

The Society operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of income and expenditure as they become payable in accordance with the rules of the MPF Scheme. The Society's employer contributions vest fully with the employees when contributed into the MPF Scheme.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable by the Society. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the Society and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

##### (i) Subscriptions, contributions and entrance fees from members

Members' contributions, subscriptions and entrance fees are accounted for on entitlement.

##### (ii) Training courses and seminars

Income from training courses and seminars are recognised when the courses and seminars are completed.

##### (iii) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

##### (iv) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

##### (v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Society reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

##### (vi) Company search and land search income

Company search and land search income are recognised when the services are provided.

##### (vii) Recreational activities income

Recreational activities income is recognised when the activities are held.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### l) Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of income and expenditure because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items on the statement of income and expenditure that are never taxable and deductible.

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 profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from a transaction that affects neither the tax profit nor the accounting profit.

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 profits will be available to allow all or part of the asset 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 realised. Deferred tax is charged or credited in the statement of income and expenditure, except when it related to items charges or credited directly to funds and reserves, in which case the deferred tax is also dealt with in funds and reserves.

##### m) Related parties

a) A person, or a close member of that person's family, is related to the Society if that person:

- i) has control or joint control of the Society;
- ii) has significant influence over the Society; or
- iii) is a member of the key management personnel of the Society or of a parent of the Society.

b) An entity is related to the Society if any of the following conditions applies:

- i) The entity and the Society are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

m) Related parties (cont'd)

b) An entity is related to the Society if any of the following conditions applies: (cont'd)

- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Society or an entity related to the Society.
- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Society.

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

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

The Council makes assumptions, estimates and judgments in the process of applying the Society's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgments are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgments, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

##### Key assumption and other key sources of estimation uncertainty

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 15. Other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as follows:

##### Useful life of leasehold property

The Council determines the estimated useful life and related depreciation expense for its leasehold property. This estimate is based on judgment made by the Council. The Council will adjust the depreciation expense where useful life is found to be materially different from that of previously estimated useful life.

#### 6. REVENUE

Revenue represents the members' subscriptions, income derived from organising training courses and seminars and overseas membership admission fee.

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**NOTES TO THE FINANCIAL STATEMENTS**

**7. INCOME TAX EXPENSE**

	<u>2017</u> HK\$	<u>2016</u> HK\$
Hong Kong profits tax - current year	-	-
Deferred tax - Origination and reversal of temporary differences	<u>29,948</u>	<u>30,302</u>
Income tax expense	<u>29,948</u>	<u>30,302</u>

Reconciliation between tax expense and accounting deficit at applicable tax rates:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Deficit before taxation	<u>(64,409)</u>	<u>(81,848)</u>
Tax at domestic tax rate of 16.5%	(10,627)	(13,505)
Tax effect of non-deductible expenses	30,642	27,259
Tax effect of non-taxable revenue	(6,375)	(16,281)
Tax effect of unused tax loss not recognised this year	<u>16,308</u>	<u>32,829</u>
Income tax expense	<u>29,948</u>	<u>30,302</u>

No provision for Hong Kong profits tax has been made as the Society sustained a tax loss for the years ended 31<sup>st</sup> March, 2017 and 2016.

**8. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G))**

a) Council members' emoluments:

	<u>2016</u> HK\$	<u>2015</u> HK\$
Fees	Nil	Nil
Other emoluments	<u>Nil</u>	<u>Nil</u>

b) No significant transactions, arrangements and contracts in relation to society's business contracts to which the society was a party and in which a council member of the society had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during a year.

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**NOTES TO THE FINANCIAL STATEMENTS**

**9. PROPERTY, PLANT AND EQUIPMENT**

	<u>Leasehold property</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Leasehold improvement</u> HK\$	<u>Total</u> HK\$
Cost:					
Balance at 1.4.2015	9,115,670	287,204	224,072	479,679	10,106,625
Additions	-	-	12,930	8,000	20,930
Balance at 31.3.2016 and 1.4.2016	9,115,670	287,204	237,002	487,679	10,127,555
Additions	-	-	-	9,080	9,080
Balance at 31.3.2017	9,115,670	287,204	237,002	496,759	10,136,635
Accumulated depreciation:					
Balance at 1.4.2015	941,952	261,913	171,493	395,541	1,770,899
Charge for the year	182,314	8,031	18,994	21,549	230,888
Balance at 31.3.2016 and 1.4.2016	1,124,266	269,944	190,487	417,090	2,001,787
Charge for the year	182,314	6,197	14,410	21,246	224,167
Balance at 31.3.2017	1,306,580	276,141	204,897	438,336	2,225,954
Net book value:					
At 31.3.2017	7,809,090	11,063	32,105	58,423	7,910,681
At 31.3.2016	7,991,404	17,260	46,515	70,589	8,125,768

The Society's leasehold property comprises leasehold land and building situated in Hong Kong and held for own use.

**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<u>2017</u> HK\$	<u>2016</u> HK\$
Listed securities, at fair value		
- Listed equity securities in Hong Kong	291,375	-
- Listed equity securities outside Hong Kong	-	169,818
	<u>291,375</u>	<u>169,818</u>
Market value of listed securities	<u>291,375</u>	<u>169,818</u>

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)**

Included in available-for-sale financial assets are the following amounts denominated in a currency other than the Society's functional currency, Hong Kong dollars:

	<u>2017</u>	<u>2016</u>
United States Dollar	USD -	USD 21,912
	<u>                    </u>	<u>                    </u>

**11. DEPOSITS AND OTHER RECEIVABLES**

	<u>2017</u> HK\$	<u>2016</u> HK\$
Deposits paid	2,400	2,200
Other receivable	300	300
Utility deposits	4,700	4,700
Management fee deposit	23,480	23,480
Prepayment	101,240	98,612
Paypal receivable	<u>13,722</u>	<u>206,102</u>
	<u>145,842</u>	<u>335,394</u>

**12. CASH AND CASH EQUIVALENTS**

	<u>2017</u> HK\$	<u>2016</u> HK\$
Time deposit with original maturity within three months	1,007,462	1,004,126
Cash at banks and on hand	<u>6,365,638</u>	<u>5,342,745</u>
	<u>7,373,100</u>	<u>6,346,871</u>

Bank balances include the following amounts denominated in a currency other than the Society's functional currency, Hong Kong dollars:

	<u>2017</u>	<u>2016</u>
United States dollars	USD 122,584	USD 98,767
Renminbi	<u>RMB 36,862</u>	<u>RMB 36,769</u>

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

**THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS**

**NOTES TO THE FINANCIAL STATEMENTS**

**13. OTHER PAYABLES AND TEMPORARY RECEIPT**

	<u>2017</u> HK\$	<u>2016</u> HK\$
Other payables	74,707	200,588
Income received in advance	<u>777,007</u>	<u>300,650</u>
	<u>851,714</u>	<u>501,238</u>

**14. DEFERRED TAXATION**

Deferred tax liabilities recognised.

The components of deferred tax liabilities recognised and the movements during the year are as follows:

	<u>Depreciation allowances in excess of related depreciation</u> HK\$
At 1 <sup>st</sup> April, 2015	137,486
Charged to statement of income and expenditure (note 7)	<u>30,302</u>
At 31 <sup>st</sup> March, 2016 and 1 <sup>st</sup> April, 2016	167,788
Charged to statement of income and expenditure (note 7)	<u>29,948</u>
At 31 <sup>st</sup> March, 2017	<u>197,736</u>

**15. FINANCIAL RISK MANAGEMENT**

The Society is exposed to various kinds of risks in its operation and financial instruments. The Society's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Society by closely monitoring the individual exposure as follows:

a) Market risks

(i) Fair value interest rate risk

The Society's exposure on fair value interest rate risk mainly arises from its fixed deposits with banks. Since the fixed deposits with banks usually mature within 1-3 months, the exposure is considered not significant. No sensitivity analysis is made as there is no material impact on the financial statements.

THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL RISK MANAGEMENT (CONT'D)

a) Market risks (cont'd)

(ii) Price risk

The investments in equity securities classified as available-for-sale financial assets expose the Society to price risk. As the Society's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Society's financial position. No sensitivity analysis is made as there is no material impact on the financial statements.

b) Liquidity risk

The Society manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

c) Fair value

The Society adopted the HKFRS 13 for the financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Input for the asset or liability that are not based on observable market data (that is, unobservable input) (level 3).

The following table presents the Society's assets and liabilities that are measured at fair value at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March, 2016:

2017

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
<b>Recurring fair value measurements</b>			
Assets			
Available-for-sale financial instruments	291,375	-	-

2016

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$
<b>Recurring fair value measurements</b>			
Assets			
Available-for-sale financial instruments	169,818	-	-

## THE SOCIETY OF CHINESE ACCOUNTANTS AND AUDITORS

### NOTES TO THE FINANCIAL STATEMENTS

#### 15. FINANCIAL RISK MANAGEMENT (CONT'D)

##### c) Fair value (cont'd)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

There were no transfer of fair value measurements between level 1 and level 2 and no transfer into or out of level 3.

The carrying amounts of the Society's financial instruments carries at cost or amortised cost are not materially different from their fair values as at 31<sup>st</sup> March, 2017 and 31<sup>st</sup> March, 2016.

#### 16. RELATED PARTY TRANSACTIONS

No council member of the Council of the Society received any fees or other emoluments for serving as a council member of the Council.

Except for the income received by the Society in the ordinary course of business, such as sponsorship income, subscriptions and fees, there were no material transactions between the Society and its Council Members or parties related to the Council Members.

During the year, donation totally HK\$78,100 (2016: HK\$57,590) was made to The Society of Chinese Accountants & Auditors Charitable Trust.

#### 17. RETIREMENT BENEFITS SCHEME

The Society contributes to the MPF Scheme for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the scheme by the Society and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs charged to the statement of income and expenditure represent contributions payable by the Society to the fund. The assets of the MPF Scheme are held separately from those of the Society in an independently administered fund.

#### 18. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31<sup>st</sup> March, 2017 and which have not been adopted in these financial statements.

The Society is in the process of making an assessment of what the impact of these amendments and new standards are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Society's results of operation and financial position.