

**INTERNET SOCIETY HONG KONG LIMITED**

**香港互聯網協會有限公司**

**[incorporated in Hong Kong with limited liability by guarantee]**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2014**

**TOGETHER WITH DIRECTORS' REPORT AND INDEPENDENT AUDITOR'S REPORT**

**[Expressed in Hong Kong Dollars]**

# **INTERNET SOCIETY HONG KONG LIMITED**

## **REPORT OF THE DIRECTORS**

The directors present herewith their report and the audited financial statements for the year ended 30 June 2014.

### **PRINCIPAL ACTIVITIES**

The Society was established for global coordination and cooperation of internet-related initiatives.

### **RESULTS AND STATE OF ITS AFFAIRS**

The Society's results for the year ended 30 June 2014 and the state of affairs of the Society as at the end thereof are set out on pages 4 to 22 in the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in property, plant and equipment of the Society are set out in Note 10 to the financial statements.

### **DIRECTORS**

The directors who held office during the year and up to the date of this report were:

<b>CHENG Che-Hoo</b>	<b>(Retired on 14 December 2013)</b>
<b>CHENG Pan Pan</b>	<b>(Elected on 14 December 2013)</b>
<b>CHUNG Wang-On, Edmon</b>	
<b>FONG Po-Kiu</b>	<b>(Retired on 14 December 2013)</b>
<b>LAM Yat Ming</b>	
<b>LEUNG Kwong-Hon, Philip</b>	
<b>LEUNG Siu-Cheong</b>	
<b>NG Kee-Yin, Joseph</b>	<b>(Retired on 14 December 2013)</b>
<b>SOONG Tak Kar</b>	<b>(Elected on 14 December 2013)</b>
<b>TSOI Chi Kam Jacky</b>	
<b>YAU Cho Ki Joe</b>	
<b>YOUNG Wo Sang</b>	<b>(Elected on 14 December 2013)</b>

In accordance with Article 59 of the Society's Articles of Association, a new board shall be formed at the annual general meeting.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Society was a party and in which a director 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.

### **AUDITOR**

The financial statements have been audited by **K.Y. Ng & Company Limited**, who retire and offer themselves for re-appointment as auditor of the Society.

By order of the Board

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SOONG Tak Kar  
Chairman

Hong Kong,

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF INTERNET SOCIETY HONG KONG LIMITED**

**(incorporated in Hong Kong with limited liability by guarantee)**

We have audited the financial statements of Internet Society Hong Kong Limited (the "Society") set out on pages 4 to 22, which comprise the balance sheet as at 30 June 2014, and statement of comprehensive income, statement of changes in general fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other information.

#### **Directors' responsibility for the financial statements**

The directors are responsible for the preparation of the 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 and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 the 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 directors, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**TO THE MEMBERS OF INTERNET SOCIETY HONG KONG LIMITED**

**(incorporated in Hong Kong with limited liability by guarantee)**

**Auditors' responsibility (continued)**

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 the Society's affairs as at 30 June 2014 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Leung Siu Fai, Auditor**  
**Practising Certificate No. : P2737**

Hong Kong,

**K.Y.Ng & Company Limited**  
**Certified Public Accountants**

**INTERNET SOCIETY HONG KONG LIMITED****STATEMENT OF COMPREHENSIVE INCOME****YEAR ENDED 30 JUNE 2014**

	<u>Note</u>	<u>2014</u> HK\$	<u>2013</u> HK\$
<b>Turnover</b>	5	1,426,240	860,954
<b>Other revenue</b>	5	809	21,012
<b>Deficit of a project</b>	6	-	(70,669)
<b>Other expenses</b>		<u>(1,446,438)</u>	<u>(795,829)</u>
<b>(Deficit) / Surplus before taxation</b>	7	(19,389)	15,468
<b>Taxation</b>	9	<u>-</u>	<u>-</u>
<b>(Deficit) / Surplus for the year</b>		(19,389)	15,468
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) / income for the year</b>		<u><u>(19,389)</u></u>	<u><u>15,468</u></u>

The accompanying notes form an integral part of these financial statements.

**INTERNET SOCIETY HONG KONG LIMITED**

**BALANCE SHEET AS AT 30 JUNE 2014**

	Note	2014 HK\$	2013 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	-	1,107
<b>Current assets</b>			
Accounts receivable and prepayments		174,625	342,943
Tax refundable		-	53,329
Cash and bank balances	11	480,504	361,655
		655,129	757,927
<b>Current liabilities</b>			
Accounts payable and accrued expenses		231,161	288,177
Temporary receipts		2,500	30,000
		233,661	318,177
<b>Net current assets</b>		<u>421,468</u>	<u>439,750</u>
<b>NET ASSETS</b>		<u><u>421,468</u></u>	<u><u>440,857</u></u>
Represented by:			
<b>GENERAL FUND</b>			
Capital Fund	12	49,598	49,598
Accumulated surplus		371,870	391,259
		<u>421,468</u>	<u>440,857</u>

Approved and authorised for issue by the Board of Directors on

\_\_\_\_\_  
LAM Yat Ming  
Director

\_\_\_\_\_  
SOONG Tak Kar  
Director

The accompanying notes form an integral part of these financial statements.

**INTERNET SOCIETY HONG KONG LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 30 JUNE 2014**

	Capital Fund	Accumulated Surplus	Total
	HK\$	HK\$	HK\$
<b>Balance as at 1 July 2012</b>	49,598	375,791	425,389
Surplus for the year	-	15,468	15,468
<b>Balance as at 30 June 2013</b>	49,598	391,259	440,857
Deficit for the year	-	(19,389)	(19,389)
<b>Balance as at 30 June 2014</b>	<u>49,598</u>	<u>371,870</u>	<u>421,468</u>

The accompanying notes form an integral part of these financial statements.

**INTERNET SOCIETY HONG KONG LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED 30 JUNE 2014**

	Note	2014 HK\$	2013 HK\$
<b>Operating activities</b>			
(Deficit) / Surplus before taxation		(19,389)	15,468
Adjustments for: Interest income		(9)	(12)
Depreciation		1,107	10,434
		<u>(18,291)</u>	<u>25,890</u>
Operating (deficit) / surplus before working capital changes		(18,291)	25,890
Decrease in accounts receivable		168,318	163,045
(Decrease) / Increase in accounts payable and accrued expenses		(57,016)	148,183
Decrease in unused fund of a project		-	(206,849)
(Decrease) / Increase in temporary receipts		(27,500)	30,000
		<u>65,511</u>	<u>160,269</u>
Cash from operations		65,511	160,269
Interest received		9	12
Hong Kong profits tax refunded / (paid)		53,329	(75,743)
		<u>118,849</u>	<u>84,538</u>
<b>Net cash from operating activities</b>		118,849	84,538
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		-	(2,215)
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(2,215)</u>
<b>Net increase in cash and cash equivalents</b>		118,849	82,323
<b>Cash and cash equivalents at the beginning of the year</b>		<u>361,655</u>	<u>279,332</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>480,504</u></u>	<u><u>361,655</u></u>
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances	11	<u><u>480,504</u></u>	<u><u>361,655</u></u>

The accompanying notes form an integral part of these financial statements.



# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 1. GENERAL INFORMATION

Internet Society Hong Kong Limited (the "Society") is incorporated under the Hong Kong Companies Ordinance with the registered office at Room B, 11/F., Yam Tze Commercial Building, 23 Thomson Road, Wanchai, Hong Kong. The Society was established for global coordination and cooperation of internet-related initiatives.

The Society was incorporated under the Companies Ordinance and is limited by guarantee. Under the provision of the Society's Memorandum of Association, every member shall in event of the Society being wound up, contribute to the assets of the Society to an amount not exceeding the sum of HK\$1.

These financial statements are prepared in Hong Kong dollars ("HK\$"), which is the Society's functional and presentation currency.

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

In the current year, the Society has applied all the new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The adoption of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits Annual Improvements 2009-2011 Cycle

The adoption of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Society's operations and financial statements:

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

		Effective for annual periods <u>beginning on or after</u>
HKFRS 9	Financial Instruments	No mandatory effective date
HKAS 32 Amendments to HKAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 36	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Annual improvements to HKFRSs 2010-2012 (issued on January 2014)		
Annual improvements to HKFRSs 2011-2013 (issued on January 2014)		

The Society has not early applied the new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Society anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Society.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Society's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Society is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.. A summary of the principal accounting policies adopted by the Society is set out below.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) 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.

#### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the costs of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at an annual rate of 50%.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### (c) Impairment of assets

At the end of the reporting period, the Society reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Government grants related to income and recognised as income over the periods necessary to match them with the related costs.

Where a refund is required under the terms of the agreement and a refund is probable, a liability is recognised for the expected amount of the refund. The provision represents the present value of the best estimate of the future outflow of economic benefits that will be required under the terms of the agreement.

#### (e) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Society becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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.

##### (i) *Financial assets*

The Society's financial assets are classified into loans and receivables.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (continued)

##### (i) Financial assets (continued)

###### – Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

###### *Impairment of financial assets*

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. In determining whether there is any impairment for a portfolio of receivables, the Society considers past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and other observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (continued)

##### (i) *Financial assets (continued)*

###### *Impairment of financial assets (continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and sundry receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### (ii) *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the Society are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Society after deducting all of its liabilities. The accounting policies adopted for financial liabilities and equity instruments are set out below.

###### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expenses is recognised on an effective interest basis.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (continued)

##### (ii) *Financial liabilities and equity instruments (continued)*

###### *Financial liabilities*

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

###### *Equity instruments*

Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs.

##### (iii) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Society has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Society retains substantially all the risks and rewards of ownership of a transferred asset, the Society continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### (f) **Employee benefits**

The Society has joined the Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance. The Society contributes 5% of the relevant income of staff members under the MPF Scheme. The assets of the Scheme are held separately from those of the Society, in funds under the control of trustee.

Payments to the MPF Scheme are charged as an expense as they fall due.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Revenue recognition

Revenue are recognised when they are probable that the economic benefits will flow to the Society and when the revenue can be measured reliably, on the following bases:

Membership subscription is recognised when the income is received.

Event income and event sponsorship income are recognized when the events are operated.

#### (h) Related parties

A party is considered to be related to the Society if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over 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; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Society are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Society are joint ventures of the same third party;
  - (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); and
  - (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).



# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Society's management makes assumptions, estimates and judgements 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 judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal the estimates.

Certain key assumptions and risk factors in respect of the financial risk management are set out in Note 14. There are no 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.

### 5. REVENUE

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
Turnover		
Membership subscription	3,000	29,600
Event income	128,960	176,300
Event sponsorship income	<u>1,294,280</u>	<u>655,054</u>
	1,426,240	860,954
Other revenue		
Bank interest income	<u>9</u>	<u>12</u>
Sundry income	<u>800</u>	<u>21,000</u>
	<u>809</u>	<u>21,012</u>
	<u><u>1,427,049</u></u>	<u><u>881,966</u></u>

**INTERNET SOCIETY HONG KONG LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2014**

**6. DEFICIT OF A PROJECT**

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
<b>INCOME</b>		
Grant from the Office of the Government Chief Information	-	99,000
Sponsorship fee income	-	8,970
Bank interest income	-	3
	<u>-</u>	<u>107,973</u>
<b>EXPENDITURE</b>		
Annual contribution to MPF	-	1,600
Audit fee	-	3,000
Event management	-	66,000
Licence for TPCL	-	1,590
Souvenir	-	7,551
Staff salaries	-	305,600
Sundry expenses	-	150
	<u>-</u>	<u>(385,491)</u>
	-	(277,518)
<b>UNUSED FUNDING BROUGHT CARRIED</b>	<u>-</u>	<u>206,849</u>
<b>DEFICIT TO BE ABSORBED BY GENERAL FUND</b>	<u>-</u>	<u>(70,669)</u>

The project "IPv6 in Action" which was mainly financed by the Office of the Government Chief Information Officer and lasts for nearly a year from 15 October 2011 to 31 October 2012.

**7. (DEFICIT) / SURPLUS BEFORE TAXATION**

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
Operating (deficit) / surplus before taxation is arrived at after charging :		
Auditor's remuneration	4,300	4,300
Bad debts written off	68,414	-
Depreciation	1,107	10,434
Staff costs		
- Contributions to mandatory provident fund scheme	18,850	15,000
- Salaries, wages and other benefits	564,000	194,400
	<u>564,000</u>	<u>194,400</u>

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 8. DIRECTORS' REMUNERATION

No directors' fees or other emoluments were paid or accrued to any director during the years ended 30 June 2014 and 2013.

### 9. INCOME TAX EXPENSE

(a) Provision for Hong Kong profits tax is not provided as the Company did not derive any assessable profits for the year. (2013: Nil)

(b) Hong Kong profits tax expense for the year can be reconciled to the (deficit) / surplus before taxation per the statement of comprehensive income as follows:

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
(Deficit) / Surplus before taxation	<u>(19,389)</u>	<u>15,468</u>
Tax at the domestic income tax rate of 16.5% (2013 : 16.5%)	(3,199)	2,552
Tax effect of income/expenses that are not taxable/deductible	(1)	107
Tax effect of capital allowances	173	1,344
Tax effect of utilization of unrecognised tax losses	-	(4,003)
Tax effect of unrecognized tax losses	<u>3,027</u>	<u>-</u>
Tax credit	<u>-</u>	<u>-</u>

(c) At 30 June 2014, there are no material timing differences in respect of which a deferred tax provision might be necessary.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 10. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Furniture and fixtures	Total
	HK\$	HK\$	HK\$
<b>Cost:</b>			
At 1 July 2012	17,510	1,142	18,652
Additions	2,215	-	2,215
At 30 June 2013 and 30 June 2014	19,725	1,142	20,867
<b>Accumulated depreciation:</b>			
At 1 July 2012	8,755	571	9,326
Charge for the year	9,863	571	10,434
At 30 June 2013	18,618	1,142	19,760
Charge for the year	1,107	-	1,107
At 30 June 2014	19,725	1,142	20,867
<b>Net book value:</b>			
At 30 June 2014	-	-	-
At 30 June 2013	1,107	-	1,107

### 11. CASH AND BANK BALANCES

	2014	2013
	HK\$	HK\$
Cash and bank balances	480,504	361,655

### 12. CAPITAL FUND

Capital fund represents the fund from Internet Society Hong Kong Chapter for setting up the Society.

### 13. CAPITAL MANAGEMENT

The Society's primary objectives when managing capital are to safeguard the Society's ability to continue as a going concern. The Society defines "capital" as including all components of reserves.

The Society is a limited liability by guarantee and not has a share capital. The liability of the members is limited and every member of the Society undertakes to contribute to the assets of the Society in the event of its being wound up to the extent of not exceeding \$1. The Society's operation is mainly sourced from the donation income. The Society is not subject to any externally imposed capital requirements.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 14. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

##### (i) *Financial assets*

	<u>Loans and receivables</u>	
	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
Accounts receivable and prepayments	168,625	342,943
Bank balances	480,504	263,216
	<u>649,129</u>	<u>606,159</u>

##### (ii) *Financial liabilities at amortised cost*

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
Accounts payable and accrued expenses	231,161	288,177
Temporary receipts	2,500	30,000
	<u>233,661</u>	<u>318,177</u>

#### (b) Financial risk management objectives and policies

The Society's major financial instruments include accounts receivable, bank balances and accounts payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk and market risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### (i) Credit risk

The Society's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet.

The Society is exposed to credit risk on financial assets, mainly attributable to accounts receivable and deposits with bank. It sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. In addition, to mitigate the risk arising from banks, the Society only places its deposits to certain reputable banks.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 14. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (continued)

##### (ii) Liquidity risk

The Society's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Society's financial liabilities as at the balance sheet date, based on contracted undiscounted payments, was as follows:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand
	HK\$	HK\$	HK\$
<u>2014</u>			
Accounts payable and accrued expenses	231,161	231,161	231,161
Temporary receipts	2,500	2,500	2,500
	<u>233,661</u>	<u>233,661</u>	<u>233,661</u>
<u>2013</u>			
Accounts payable and accrued expenses	288,177	288,177	288,177
Temporary receipts	30,000	30,000	30,000
	<u>318,177</u>	<u>318,177</u>	<u>318,177</u>

##### (iii) Market risk

Interest rate risk

The Society's exposure on fair value interest rate risk mainly arises from its deposits with bank. The directors considered the exposure not significant.

# INTERNET SOCIETY HONG KONG LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 14. FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (continued)

##### (iii) Market risk (continued)

###### Summary of quantitative data

	<u>2014</u>	<u>2013</u>
	HK\$	HK\$
<u>Floating-rate financial assets</u>		
Deposits with banks	<u>88,180</u>	<u>104,155</u>

No sensitivity analysis for the Society's exposure to interest rate risk arising from cash at bank is prepared since the exposure may not have significant impact on the Society's financial position.

#### (c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using inputs for the assets or liabilities that are not based on observable market data.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

### 15. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year except for income derived by the Society in the ordinary course of business, such as subscription and event income from the directors.

- End of Notes -