

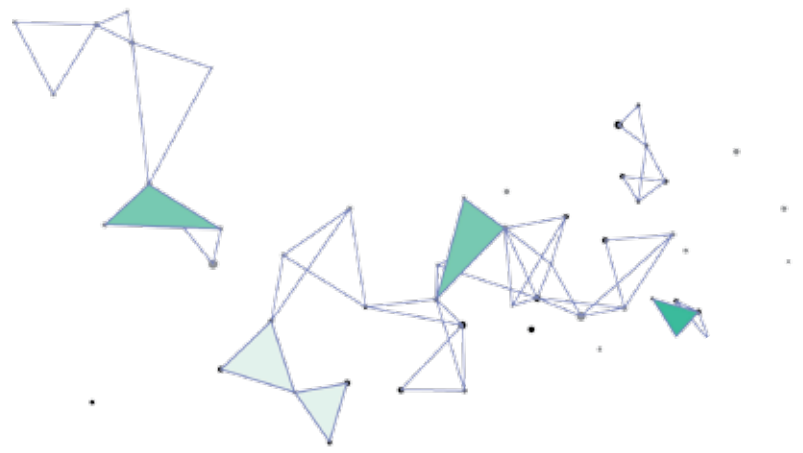
HARNESSING INNOVATION FOR THE FUTURE

ANNUAL REPORT 2017



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

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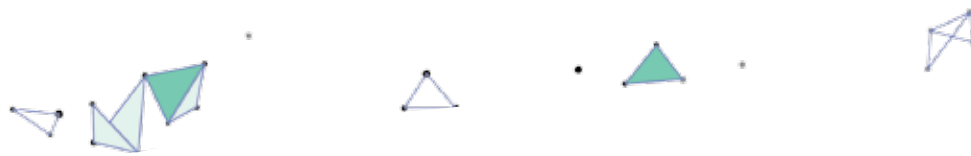
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*Hong Kong Institute of
Certified Public Accountants*

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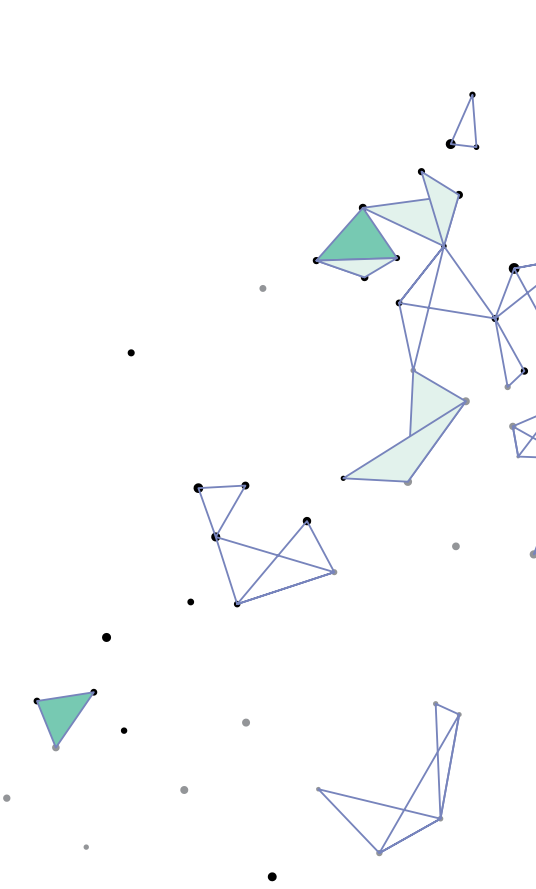


F O R E W O R D

“Harnessing innovation for the future” expresses how the profession is working with disruptive technologies, redefining accounting roles, and updating required skill sets in these innovative times. While being technically proficient remains important, CPAs are increasingly expected by companies around the world to embrace new ideas to drive businesses to the next level. This report highlights how the Institute is developing a future-ready profession and enhancing the relevance of both current and prospective members in an era of constant change.

Technologies, such as artificial intelligence, big data, blockchain, cognitive machine learning and robotics, are changing the business landscape in Hong Kong. As with accounting, the technology sector demands forward-thinking visionaries, as well as a dedication to nurture the next generation and provide the support and opportunities they need to reach their potential. This report includes a photo essay on how Hong Kong is striving to be at the forefront of innovation, as well as short stories on how our members are contributing.

The cover artwork reflects the ongoing trend of humans embracing and interacting with new technologies. It is also inspired by the reality of disruptions, such as artificial intelligence, big data and Internet of Things, which is reshaping Hong Kong’s business landscape and the accounting profession. The photos in this report were taken by Juliet Shayne Lui.



M E S S A G E
F R O M
T H E
P R E S I D E N T
&
T H E C H I E F
E X E C U T I V E



Mabel Chan
President

Raphael Ding
*Chief Executive
& Registrar*

Dear members,

This year marked the 20th anniversary of the reunification of Hong Kong with China, giving us a good opportunity to look back at the remarkable contributions the Institute and its members have made to the economic growth of both the city and the Mainland.

We celebrated the occasion by hosting a commemorative cocktail event in July, with our 1997 president, Tim Lui, as our guest of honour. While reminiscing the significant evolution of the profession over the past 20 years, we are conscious of the importance of looking ahead, and investing in the future of the accounting profession.

Moving forward with the times

On the solid foundation laid down through the Sixth Long Range Plan, the Institute is pushing ahead in preparation of the Seventh Long Range Plan. One of the key focuses is to respond to the rapid advancement of technology. In this respect, the Institute has launched a full-scale digital strategies project, which will propose a five-year plan to improve our IT infrastructure and capability. The objective is to greatly enhance the effectiveness, through digital means, of our engagement with members and stakeholders, hence allowing us to more readily address their feedback and needs.

At the same time, the accounting profession has gone through significant business, technological and generational changes since the Institute's last brand update in 2004. To ensure our brand remains relevant and premium, the former Editorial Advisory Group has been transformed into the Branding and Communication Advisory Panel, with an expanded role across all branding, communications and marketing strategies. The advisory panel draws from multiple committees, including Professional Accountants in Business, Professional Development, Small and Medium Practitioners and Young Members, for a well-informed approach to connect and engage with key stakeholders, and to enhance public recognition of the Institute's stature.

Supporting our members

To ensure that our members are fully equipped to meet ever-changing business needs, the Institute spares no efforts in offering a wide range of CPD programmes to strengthen the skills and knowledge that members need today, and in the future. The range of programmes includes those which are important now,

such as accounting, auditing, taxation, legal ordinance and governance, and more future-focused programmes around technological advancements, for example through the use of big data and artificial intelligence. During the year, we offered 3,282 CPD hours and registered 73,752 enrolments.

The importance of how we support our members was highlighted in our fourth annual membership survey, which provided us with further insight into members' learning needs, earning power, business development progress and work-life balance. Taking their thoughts and suggestions into account, the Institute will enhance the professional development programmes to support members' career advancement.

One recent initiative is the official launch of the Financial Controllership Programme after the successful pilot run last year. It is a unique and tailored training aimed at providing members with practical insights on how to become a leader in finance and to contribute positively to business. The programme's modules cover core business functions including management competency development, accounting for performance and decision making, strategic finance, risk management and corporate governance, and business ethics.

Meanwhile, the Mentorship Programme for young members is going from strength to strength, as it reaches its third year. It is another way to prepare members for the future by bringing CPA mentors and mentees of all backgrounds together to give and receive feedback.

Grooming the next generation

The Institute is fully aware of the importance of evolving with the times, not just in the training of our members, but also the future generation. The revamp of the Qualification Programme will ensure the CPA qualification is in step with the continuous changes in business needs as well as international best practices, and to help the new generation of accountants be more advisory-oriented.

Following the launch of the Position Paper for the CPA Qualifying Process Reform, our next major target is to ensure a smooth transition to the new QP, which will be introduced in June 2019. With a new structure and rigorous training sessions, the revised programme endeavours to equip students with stronger technical competencies and ethical behaviours. At the





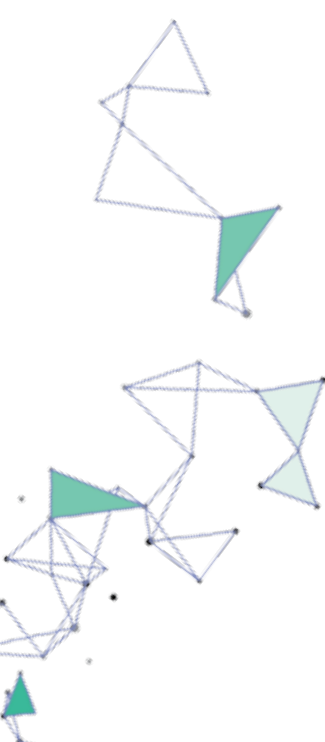
same time, the new programme also provides the opportunity for students of different educational backgrounds to become CPAs. While the door to entry has been widened, the bar to qualification remains at the highest level to ensure the accountants we train are well-qualified to support Hong Kong as the premier financial centre of the world.

Fostering relations

We maintain our robust and positive relationship with Mainland counterparts, a key success factor to the business development of our members across the border.

The Institute's Council held its annual visit to Beijing and Shanghai in May, where we exchanged views with key Mainland authorities on a wide range of important issues including how to facilitate Mainland businesses conducted by our members.

In June, the Institute co-organized a visit to Zhuhai with the Zhuhai Institute of CPAs for the benefit of small- and medium-sized practitioners. Members gained insightful knowledge about the latest economic and infrastructure developments, including the Hong Kong-Zhuhai-Macau Bridge, and the business opportunities brought by them. Furthermore, we organized visits and seminars to explore the roles of accountants in the Belt and Road Initiative, Greater Bay Area and other major national initiatives. In July, the president led a delegation of elite CPA badminton players to participate in "The Integrity Cup" organized by the Guangdong Institute of CPAs where our members had the opportunity to build a relationship with their counterparts from over 30 cities in the province. At the end of the year, it will be our turn to host the cross-border sports competition in which we will provide further networking opportunities for members to meet their counterparts from Shenzhen and Guangzhou.



Internationally, our representatives actively engaged with standard-setting bodies, including the IFRS Foundation, the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants, the International Forum of Accounting Standard Setters and the Asian-Oceanian Standard-Setters Group. This ensures the voice of our members is heard on a global stage and the measures being devised are in the best public interest. Since changes in standards like HKFRS 9 and HKFRS 15 have far-reaching impacts on both users and preparers of financial

statements, the Institute has been expanding its outreach activities by working with international partners such as the International Accounting Standards Board to help various stakeholders understand and apply the latest standards.

Meanwhile, the Institute chief executive's representation on IFAC and our engagements with other international bodies like the Global Accounting Alliance, INSOL International, Accounting for Sustainability and Asia-Oceania Tax Consultants' Association ensure that Hong Kong's voice is heard.

Protecting the public interest

Being the professional statutory body, we work closely with the Hong Kong government on audit regulatory reform, with a focus on areas including the disciplinary system, sanctioning guidelines, composition of the independent oversight body, operating cost and source of funding. These are important aspects that not only address the concerns of the profession, but more importantly, protect the public interest. The reform has made considerable progress, and a bill is expected to be submitted to the Legislative Council (LegCo) before the end of 2017.

Last year, the Hon. Kenneth Leung, representative of the Accountancy Functional Constituency, proposed to introduce a bill to tackle the problem of misleading business descriptions by businesses not registered as practice units under the Professional Accountants Ordinance (PAO). Mr. Leung, with input from the Institute, has finalized a draft bill. After discussions in the LegCo's Panel on Financial Affairs, he has also sought and received clearance on the draft bill from the Competition Commission. Though it is not a mandatory requirement under the PAO, members' approval at the coming annual general meeting to support the proposed bill is being sought. If approved, Mr. Leung plans to introduce the bill to the LegCo in accordance with LegCo's usual procedures, including obtaining such necessary consent from relevant government departments.

The government has concluded the public consultations on anti-money laundering (AML) and beneficial ownership of companies. Given that Hong Kong is a member of the Financial Action Task Force, it is required to follow the requirements and international standards set by the inter-governmental body for combating money laundering and terrorist financing.

Under the requirements, “designated non-financial businesses and professions” including accountants that engage in certain specific types of transactions should be subject to statutory customer due diligence, record keeping and suspicious transaction reporting. The Institute has been regularly liaising with the government to ensure that the view of our members is taken into account during the consultation and legislative process.

In the first quarter of 2018, a new AML regulatory regime will be put in place, in which the Institute will become a regulator and issuer of guidelines for accountants on AML compliance. As these requirements are relatively new to our members, we have been hosting training sessions to ensure members retain the knowledge to properly comply with the guidelines.

Advocating for best practices

This is the 18th year of our prestigious Best Corporate Governance Awards, which recognizes companies and organizations in both the private and public sectors for their high standard of governance. A new category for “Non-Hang Seng Index-constituent companies – medium market capitalization” was added to this year’s competition, aiming to facilitate comparisons between peer groups as well as encourage more listed companies to make efforts to strengthen their governance.

The Institute is also devoted to guiding non-government organizations through our social responsibility programme “CPAs for NGOs”. Two new initiatives have been introduced under this programme to help NGOs enhance their knowledge and practice of financial management and governance, including the NGO Treasurers’ Club Dialogue Series and a six-month consultation period to support NGOs with limited resources and experience.

Looking forward

Technological developments in fields such as blockchain and artificial intelligence are causing profound changes in the profession. The skills required and the mindset of CPAs must progress with these changes. Society too has high expectations on businesses when it comes to issues such as ethics and environmental sustainability. Requiring more emphasis on sustainable business practices and models will see corresponding changes in reporting standards and requirements.

Development of the Institute’s Seventh Long Range Plan in response to these demands is in progress. The plan will thoroughly consider the impact of technological changes and how the

Institute ensures it is meeting the challenges of staying relevant in a rapidly changing world.

The Institute has embarked on two new related strategies, a digital strategy plan and a branding and communications strategy plan. Work on the digital strategy plan began this year, and will improve the technological backend of the Institute. While from next year, a new branding and communication strategy plan will re-energize our brand and enhance our communications with all our stakeholders. Together, these plans will ensure that in the future, communication channels are relevant to members.

For members’ development needs, the Institute is introducing new CPD courses, aiming to equip CPAs with both the hard and soft skills they will need to effectively conduct business.

The work of the new QP is underway, aiming to equip new members of the profession with the skills required to reach the top of an evolving business world.

While the profession has grown vastly over the past 20 years, we are confident in our members’ ability to adapt to and face the fast-changing business world. We see exciting times ahead for our members, with new opportunities for the profession and its engagement with wider economic and business developments.

Finally, we would like to thank the two vice-presidents, the Council and committee members for their contributions. With our ongoing work, your continuous support drives our pursuit of every opportunity to take the Institute and its members to the next level.

Sincere regards,

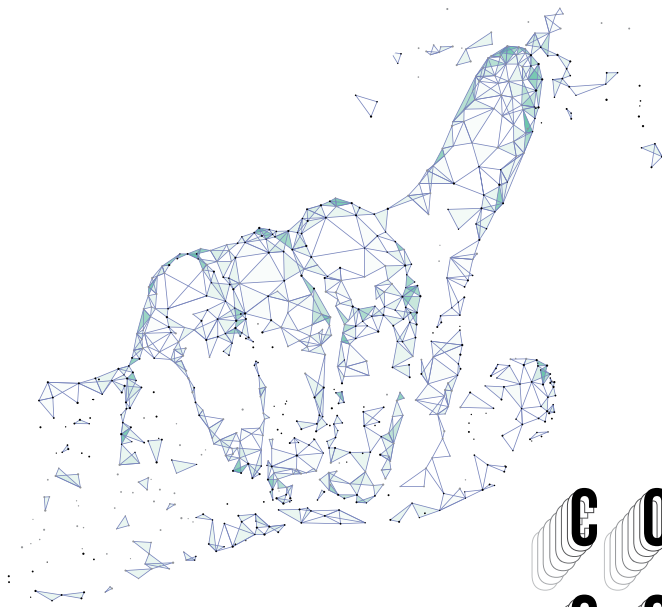
**Chan Mei Bo,
Mabel**

President

**Ding Wai Chuen,
Raphael**

*Chief Executive
& Registrar*





CONSTITUTION, GOVERNANCE AND FINANCE

As a statutory organization, we are committed to maintaining high quality governance as well as preserving and bolstering the confidence of our members, their clients and the general public.

We regularly review our internal controls, using up-to-date technologies to increase the efficiency, security and accountability of our operations, so we can deliver to members the highest quality services.

Our staff play an important part in the success of the Institute. Therefore, it is imperative for us to create a positive working environment that attracts, retains and develops talented employees amid an increasingly competitive hiring environment. Through a balance of well-maintained operations and satisfied staff, the Institute is able to perform its functions at the highest level.

The Council

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

The Council consists of 23 members this year, all of them being non-executive and non-

compensated. Fourteen individuals are CPAs directly elected by the membership and the immediate past president who completed her elected term also remains on the Council for an additional year to provide continuity. There are also government appointed members to provide independent views, including two ex-officio government members and four lay members of high standing in society. An additional CPA was co-opted to round out the group's skills.

Through a balance of members from within and outside the accounting profession, the Council benefits from a wide scope of views when debating and addressing issues.

Through a balance of well-maintained operations and satisfied staff, the Institute is able to perform its functions at the highest level.



DIGGING DEEPER

Aiming at reinventing traditional financial services by creating seamless mobile lending experiences, WeLab launched Hong Kong's first online lending platform in 2013. It has been ranked 6th in China and 33rd globally among top FinTech companies in a KPMG report. The start-up analyses unstructured mobile big data within minutes to make credit decisions on individual borrowers through its proprietary risk management technology. Here, **Simon Loong Pui-chi**, Founder and CEO, goes through data at a team meeting.



All Council members follow strict rules to avoid conflict of interest, such as the forbiddance of members in taking part of discussions or decisions where a real or apparent conflict of interest is present. Council members are also not to disclose any information pertaining to their work while serving as a member of the Council.

With the exception of a break in August, Council meetings are held monthly. Attendance of individual members can be found on the Institute's website at www.hkicpa.org.hk.

Monitoring committees

Under the Council, the Institute is further guided by monitoring committees including the Audit Committee, Qualification Oversight Board and Regulatory Oversight Board. They ensure that the operations of the Institute's management and relevant committees are aligned with 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 directly to the Council and holds regular meetings with management, and both internal and external auditors in order to effectively discharge its delegated responsibilities.

The **two oversight boards** are in charge of monitoring the regulations, standards and quality, and professional qualifications of the Institute. By maintaining a vigilant eye over the work of management and relevant committees, the boards are able to ensure that the Institute's operations follow the directions provided by the Council. The details of these activities are covered in respective sections of this report.

Advisory committees

Advisory committees include the Governance Committee, Nomination Committee, Remuneration Committee, and Registration and Practising Committee.

The **Governance Committee** is tasked with the development and review of existing policies and rules that the Institute adheres to, in relation to Council meetings, Council elections, the election of the Institute's president and vice presidents, co-optation of Council members, committee appointments and the

SMART MOVES

One of the key elements of a smart city is improved mobility and pedestrian connectivity with the help of intelligent systems. In April 2016, Hong Kong Tramways became the first local transport operator to link up with transport app Citymapper and share real-time operational information. Institute member Carol Lu, Head of Finance at Tramways, is helping the operator keep pace with technology to increase ridership.

role of the Institute during public elections. Through recommendations to the Council, the Governance Committee aims to strengthen the Institute's standards of governance via both objectivity and efficiency.

The **Nomination Committee** provides recommendations over the appointment of Institute members to the Council and the co-optation of Council members. It also approves, on behalf of the Council, the nomination of Institute representatives to take on positions in external local and overseas bodies.

The **Remuneration Committee** is one of the leading forces behind the Institute's strong management of human resources. It is responsible for providing recommendations to the Council on annual pay adjustments, performance bonuses and other employment terms and conditions.

Recommendations from the Remuneration Committee and chief executive are taken into account by the Council when it decides on the overall remuneration for general staff. Decisions for individual staff are made based on documented assessments.

For the remuneration of directorate staff, the Council takes into account the recommendations of the leadership team, comprising the president, vice presidents and the chief executive, and the parameters established by the Remuneration Committee. Council members and relevant committee chairs also provide input for the performance appraisals of directorate staff.

The remuneration of the chief executive is determined on an annual performance review by Council.

The remuneration at all levels is based on staff performance and findings of an annual salary survey, which was conducted in the first quarter of 2017. The survey, which ensured the salary structure of the Institute is in line with prevailing market conditions, contained salary information from comparable local organizations and Global Accounting Alliance bodies.

The **Registration and Practising Committee** is a statutory committee responsible for examining the qualifications of applicants for registration as CPAs. It provides recommendations to the Council as to whether to accept or reject the applicants.

In addition, it serves as an advisor to the Council on applications of CPAs for practising certificates, and will conduct necessary inquiries to determine whether applicants have the qualifications needed according to the Professional Accountants Ordinance. It also advises the Council on the applications of members for specialist designations and other matters as required.

Execution and finance

The chief executive takes charge in the execution of the Council's policies and decisions. Appointed by the Council, the chief executive oversees the Institute's activities and day-to-day operations, and serves as the Council's secretary and policy advisor.

The chief executive together with a management team of two executive directors,

a general counsel and 12 department and section heads, direct a group of approximately 200 staff alongside a network of statutory and decision-making committees, as well as advisory committees and panels.

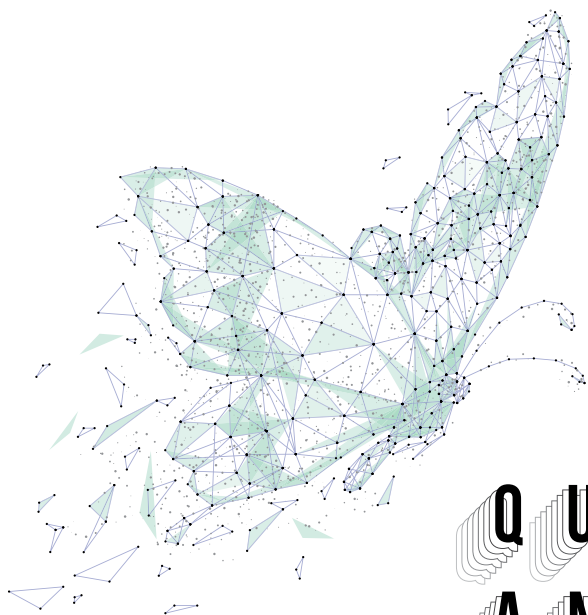
Additionally, the chief executive chairs the Executive Committee which consists of the executive directors and heads of finance and operations, legal, member and public relations, and member support, as well as the president and two vice presidents serving as ex-officio members. The Executive Committee holds monthly meetings to make management decisions and consider reports and recommendations to the Council.

At the conclusion of the financial year on 30 June 2017, the group possessed a surplus of HK\$10.1 million. Prudent management over financial resources has allowed us to uphold a strong financial position and invest in key projects for the benefit of the profession, members and staff.

With a similar headcount to the previous financial year, the Institute further enhanced its support to members and managed another eventful year with significant changes and challenges. These included the development of the new Qualification Programme, commencement of the Member Activity System, launch of the digital strategic plan, increase in the number of activities held with international and Mainland stakeholders, revamp of the Professional Accountants Ordinance and formulation of the Seventh Long Range Plan.

G o v e r n a n c e s t r u c t u r e





QUALIFICATION AND EDUCATION

The Institute’s membership grew this year, serving as a testament to the strength and attractiveness of the profession. As of June 2017, our membership stood at 41,332 (compared to 40,034 last year), of which 5,455 were fellow members, and 4,627 were practising members. The number of member practices grew from 1,784 in 2016 to 1,838 this year, of which 543 are corporate practices.

Since the launch of the Institute’s Qualification Programme (QP) in 1999, 14,797 CPAs have qualified through this home-grown programme and have completed the required practical experience. As an internationally renowned comprehensive training programme, the QP equips students with the necessary knowledge and skills needed to become a professional accountant.

Elevating the qualifying process

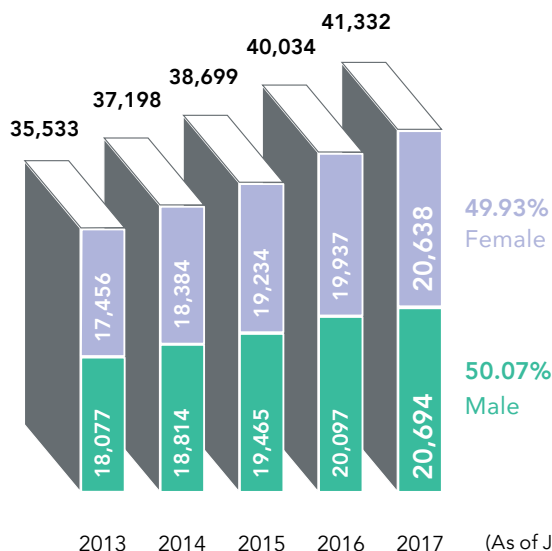
Reform to the CPA qualifying process is necessary to ensure the sustainability of the profession by providing top quality accountants to support Hong Kong as an international business and financial centre in a changing world. In January 2017, a position paper was issued for the new QP that set out its final content, structure and design. Ongoing enhancements to the QP will strengthen its highly popular status among students pursuing a CPA career.

To develop a diverse talent pool for the profession, the new QP offers greater flexibility and alternative pathways for students from different educational backgrounds, including

non-accounting majors, to become CPAs. However, while the entry route has been widened, the exit remains at the highest level to ensure we have the best graduates who can meet market needs.

This reform is the result of consultations with key stakeholders including employers, academia, education providers and practitioners, and an extensive review by independent consultants from a well-regarded overseas accountancy body and a major international accounting firm. The Institute would like to thank all of those involved in this process.

Membership growth



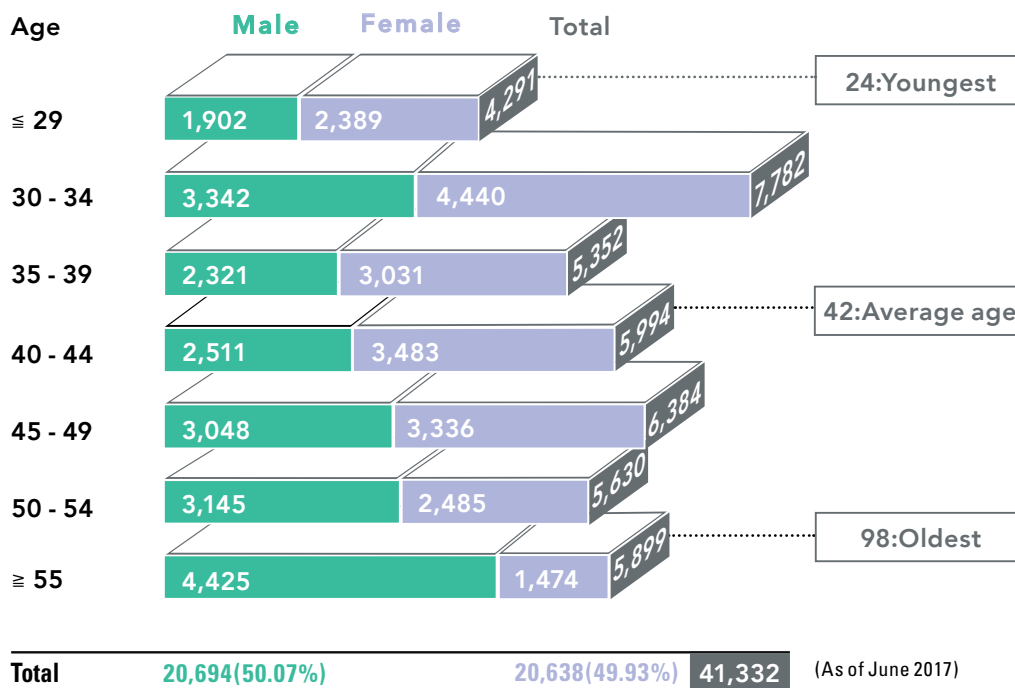


THE NEW REALITY

The Vocational Training Council of Hong Kong is dedicated to getting students equipped with the essential skills in science, technology, engineering and mathematics (STEM) needed today and in the future. In this picture, students of the Hong Kong Institute of Vocational Education (IVE) at Tsing Yi use virtual reality and augmented reality technology to perform tasks during an aircraft maintenance engineering class. They are standing inside a Cave Automatic Virtual Environment, where visual content is projected on three walls and the floor, and a virtual environment is shared among multiple users.

Membership

Age and sex distribution



Continuing professional development

The Institute offered a wide spectrum of development programmes to help members hone their skills and stay relevant in their industries. This year, the most sought-after topics included information technology; soft skills; corporate finance; environmental, social and governance; capital markets; internal control; taxation; valuation; wealth management; and independent non-executive directorship. In the financial year ended 30 June 2017, the Institute's CPD events comprised of:

- 318 face-to-face events (including eight collaborative events)
- 313 e-learning programmes (including 55 collaborative programmes)

The Institute received a record high enrolments this year at 73,752, an increase from 63,204 in 2016. The events with the highest attendance this year were those under the Current Affairs Series and Business Leaders Series, with more than 300 people attending each seminar in the series. Around 3,282 CPD hours were offered across the events. The Institute also provides free places at

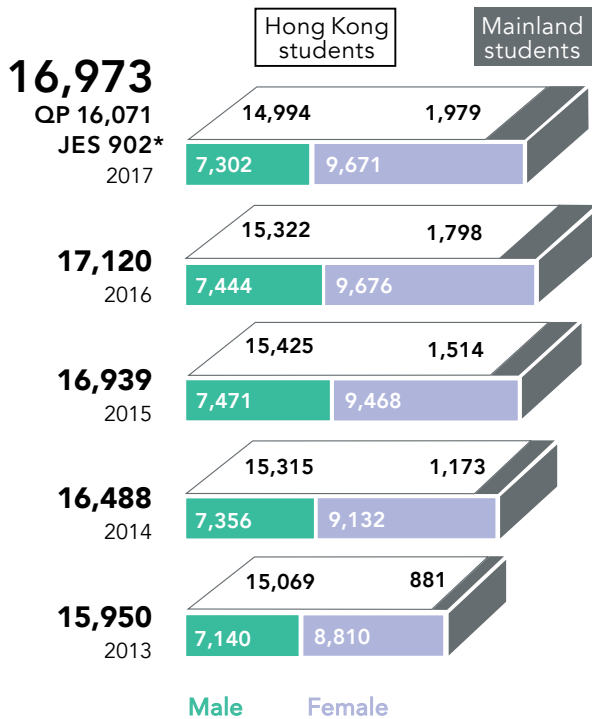
selected CPD events to members in need. During the year 609 free places were taken.

Specialist training

The Institute is focused on deepening the expertise of members under specialist fields, including insolvency and taxation. This year, the Insolvency Preparatory I course received 101 enrolments, while 60 participants enrolled in Insolvency Preparatory II. Members looking to have a deeper understanding of the field can apply for the Professional Diploma in Insolvency. There have been 365 graduates since its launch in 2000. As of June this year, 65 members had demonstrated the necessary experience and competencies and received the specialist designation: SD (Insolvency).

In the taxation field, the Institute's China Tax Course received 35 enrolments this year, while the Advanced Hong Kong Tax Course received 25 enrolments. The completion of these courses together with satisfying other criteria will respectively lead to a Professional Diploma in China Tax and Professional Diploma in Hong Kong Tax. As of June this year, there were

Studentship



(As of June 2017)

* Joint examination scheme, ended in 2001.

a total of 83 and 73 graduates of the two diplomas respectively.

The Institute's Financial Controllership Programme provides participants with practical training and the necessary insights into the work of a financial controller today. It was launched in May following a successful pilot run completed in October 2016. Since launch, 20 members have joined the full programme and 22 more are taking individual modules.

Qualification programme

As of June this year, the Institute had a total of 16,973 students including 902 students from a previous joint examination scheme. Among all QP students, 1,979 came from the Mainland, including 406 Chinese Institute of CPAs members and 1,573 Mainland degree holders. In terms of demographics, women accounted for 57 percent, or 9,671, of the overall studentship, while men accounted for 43 percent, or 7,302.

Meanwhile, 839 QP students graduated from the December 2016 session, and 794 QP students graduated from the June 2017 session, taking the cumulative total of graduates to 18,685 since the programme's launch in 1999. QP modules and final examination recorded high enrolments of over 13,000 for each of the two examination sessions during the year.

The Institute awarded 84 scholarships to students of accredited accountancy programmes offered by Hong Kong and Mainland tertiary institutions. The number of accredited programmes offered by local, Mainland and overseas tertiary institutions has risen to 102 with two new additions.

As of 30 June this year, there were 1,388 Authorized Employers (AE) and 2,019 Authorized Supervisors (AS) registered with the Institute to provide support and practical experience for budding CPAs. Since the launch of the AE/AS Enhancement Programme in 2008, the Institute has visited a total of 315 AE and AS to provide direct assistance and guidance.

Student and promotion activities

The annual career forum was organized to provide aspiring university students with relevant insights relating to the accounting profession. With more than 800 students in attendance, the event featured exhibitions, workshops, a panel discussion and small group discussion over lunch to allow students to freely ask questions about career prospects and the realities of life as a CPA.

Meanwhile, the Institute held the annual award ceremony to give recognition to top performing QP students, and examination technique seminars to help QP students better prepare for the examination and to address common problems that they may encounter during the process.

Additionally, the Institute has been actively promoting how Mainland counterparts can leverage the HKICPA qualification to gain recognition from top overseas accounting bodies. Visits, promotional events and other relationship-building activities with accredited universities and accounting firms in China were organized throughout the year.

The annual case analysis competition in Hong Kong and the Mainland was a success with over 700 teams participating.

The mock examination run by the Institute for the Hong Kong Diploma of Secondary Education elective subject in Business

Accounting and Financial Studies was well-received this year with over 5,800 enrolments from 242 secondary schools.

Accounting technicians

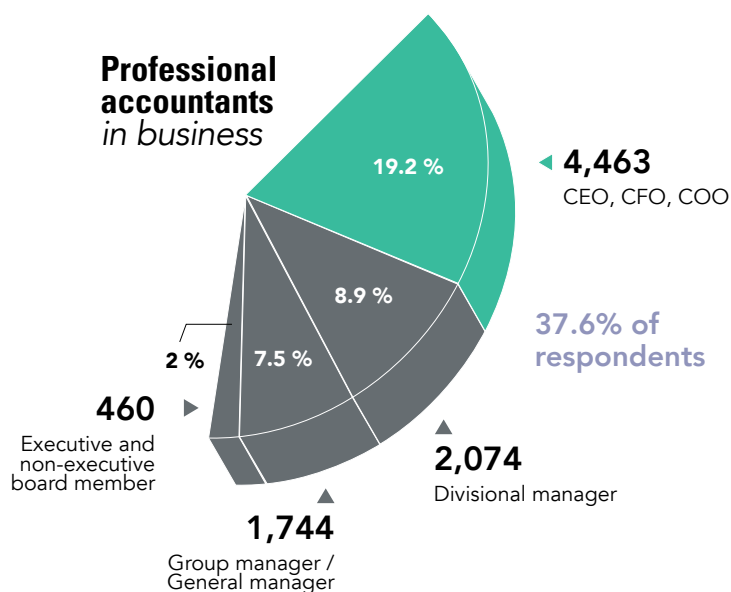
The Hong Kong Institute of Accredited Accounting Technicians (HKIAAT), a subsidiary of the Institute, has registered a total of 7,535 students to its Accredited Accounting Technician examination since the implementation of its revised framework

in 2009, which serves as a benchmark for testing students' knowledge on accounting and understanding of professional ethics.

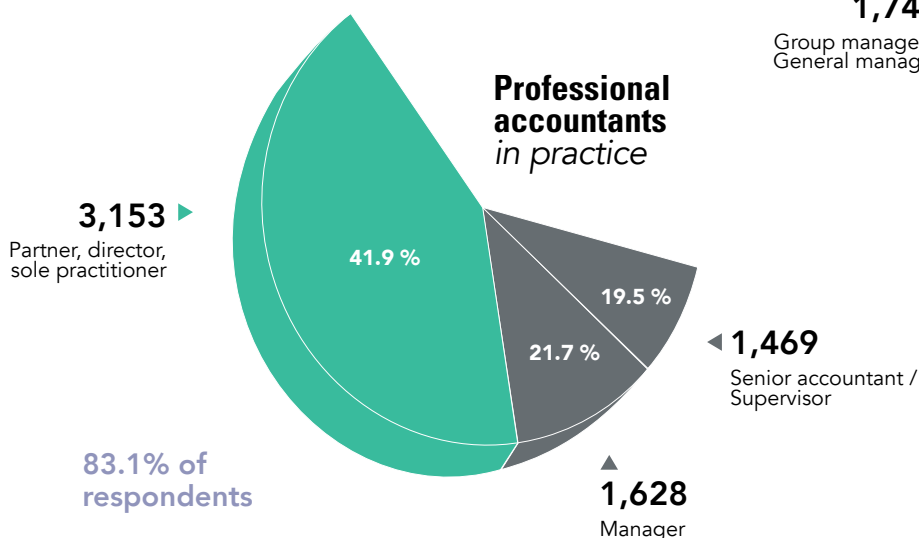
The HKIAAT has accredited 21 sub-degree accounting programmes over the year. Certified AATs have the option to either pursue a career as an accounting technician, or take the Professional Bridging Examination, which serves as an alternate route for those wishing to undertake QP. Since the examination's commencement more than 14 years ago, 1,302 AATs have become eligible for entry into the QP.

Members taking up leadership positions

Professional accountants in business



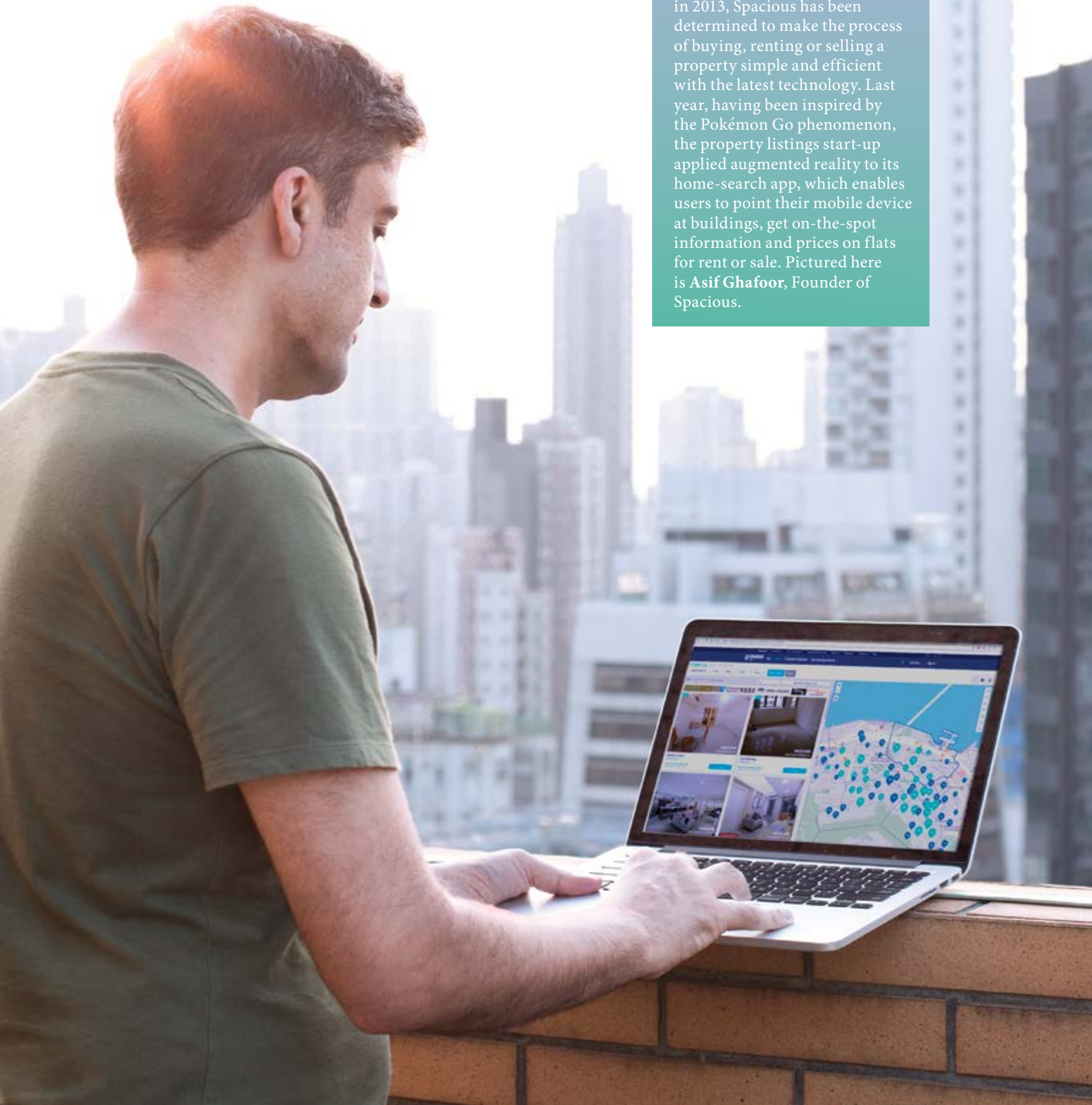
Professional accountants in practice



Source: Among 23,228 PAIB and 7,517 PAIP respondents to member census as of June 2017

A FULLER PICTURE

Dealing with property is an indispensable part of many Hong Kong people's lives. Founded in 2013, Spacious has been determined to make the process of buying, renting or selling a property simple and efficient with the latest technology. Last year, having been inspired by the Pokémon Go phenomenon, the property listings start-up applied augmented reality to its home-search app, which enables users to point their mobile device at buildings, get on-the-spot information and prices on flats for rent or sale. Pictured here is **Asif Ghafoor**, Founder of Spacious.





STANDARDS, ETHICS AND REGULATION

The Institute is the body responsible for setting accounting, auditing and ethics standards in Hong Kong which as a matter of policy remain fully converged with international accounting, auditing and ethics standards. High quality standards are an essential basis for ensuring a high quality of financial reporting by companies based and listed in Hong Kong, and maintaining public trust and confidence in the auditing profession, which are critical elements in supporting Hong Kong's position as an international financial centre.

During the year, the Institute actively engaged with international standard setting bodies and in related forums to ensure that the comments of our stakeholders were taken into account on the global stage. We collaborated closely with the International Financial Reporting Standards Foundation, the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants, and we continued to play a leading role in the activities of the Asian-Oceanian Standard-Setters Group and participated in IFRS World Standard Setters meetings and the International Forum of Accounting Standard Setters. Our involvement at the development stage of international standards ensures that Hong Kong's views and concerns are thoroughly addressed.

In Hong Kong, we revised a number of auditing standards, and consulted with stakeholders on how to improve the effectiveness of an accounting guideline. We carried out research on the new style of auditor reports for listed companies, which was first effective

for 31 December 2016 company year ends.

The findings from this study will be shared locally and internationally and will contribute to further improvement in the usefulness of auditor reporting and the development of new and enhanced standards by the International Auditing and Assurance Standards Board.

The Institute also commenced two research projects covering the accounting for and reporting of transactions that are prevalent in Hong Kong. The first report covers mergers and acquisitions, and the second is on financial instruments with characteristics of equity. The findings of these two studies will contribute to the development of financial reporting standards by the International Accounting Standards Board.

Training and support

The Institute's technical resources webpage is regularly updated to provide an effective one-stop source for technical information. This year, we added two more resource centres on "new and major standards" and "illustrative financial reports and disclosure checklists" to provide a comprehensive set of information. We set up a LinkedIn Showcase Page to raise the prominence of our standard setting activities, and provide instant updates on standard setting matters. During the year we held over 60 technical seminars, workshops and refresher courses, as well as the popular and large scale annual accounting and auditing updates, to strengthen members' core skills.

The Institute has renewed its arrangement with the Institute of Chartered Accountants in England and Wales, providing our members free access to the ICAEW's online platform of premium and expertly-curated technical resources. To provide support to our practising members in an area that is of increasing importance to auditors, the Institute entered into an agreement with Chartered Accountants Australia and New Zealand this year to allow members to access a pragmatic and scenario-focused e-learning programme that promotes better use of professional scepticism. The Institute also published the second edition of the Audit Practice Manual, its flagship reference tool that includes customizable documentation templates and sample audit programmes. Almost 1,000 copies of the manual were sold this year.

Through the Institute's explanatory materials, such as the weekly e-circular, the monthly TechWatch bulletin, and the Institute's monthly magazine *A Plus*, we ensured new and revised standards were communicated and explained to members and the public on a timely basis.

Quality assurance

The Institute continues to operate two quality assurance programmes that monitor and enhance, and consequentially maintain public trust in the quality of work conducted by our members.

The practice review programme is the primary mechanism by which the Institute carries out its statutory role as regulator of auditors. The programme was developed by reference to international best practices and maintains that benchmark, including giving priority to reviewing practices with listed company clients. During the reporting period, 200 site visits and 66 desktop reviews were carried out by Institute staff, while the Practice Review Committee considered 257 reports. Where deficiencies were identified, the committee directed firms to implement remedial action, scheduled additional site visits or made a complaint against the practice. A total of eight cases proceeded to complaints, while two cases concerning the audits of listed companies were referred to the Financial Reporting Council for further investigation.

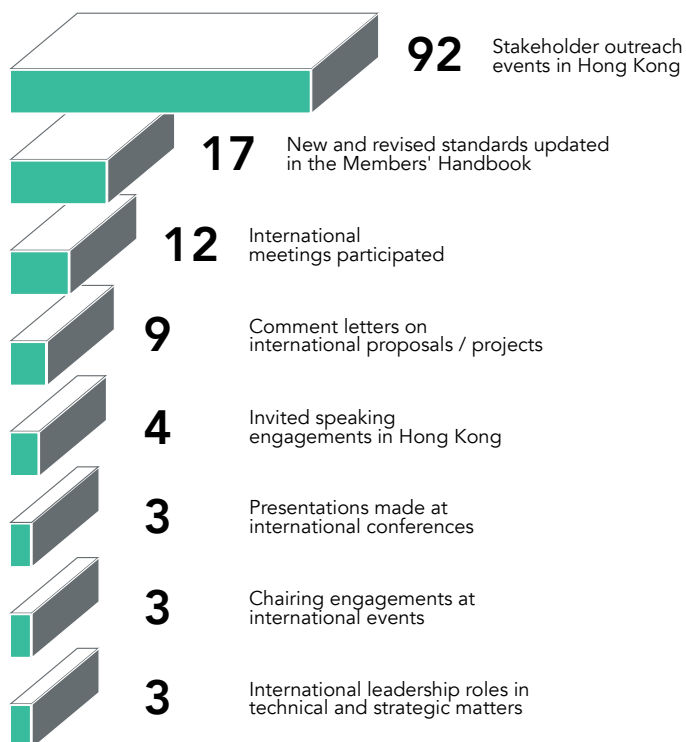
A new element was added to the practice review selection process this year as the frequency of visits to practices with less than 20 listed clients was increased in response to public expectations about the quality of all listed company audits.

This year, the Institute again referred a number of cross border engagements to the Supervision and Inspection Bureau of the Chinese Ministry of Finance for review under our memorandum of understanding.

The Quality Assurance Department (QAD) and Practice Review Committee monitored existing practice review outcomes and introduced new elements to the practice review programme and procedures to enhance the effectiveness of the programme.

The second review system is the professional standards monitoring programme. This system reviews published financial statements of Hong Kong's listed companies, including those of H-share companies audited by Mainland audit firms. A total of 81 sets of financial statements were reviewed during the year, and 53 letters were sent to auditors with recommended revisions and improvements. Three cases, being suspected of potentially significant non-compliance with professional standards, were referred to the Financial Reporting Council for investigation.

The Institute's 2017 activities for standards development



The findings of both programmes were published in the annual quality assurance report and were communicated to members and other stakeholders via articles and technical education events.

The Regulatory Oversight Board, which takes over the roles of the Regulatory Accountability Board and the Standards and Quality Accountability Board, ensures that QAD activities are carried out in accordance with strategies and policies determined by Council. The oversight work includes receiving and reviewing work plans of the QAD, progress reports from management and an annual report from the Practice Review Committee on its process review of the QAD practice review activities. The results of the process review were positive and showed that the QAD practice review activities meet statutory requirements and international standards.

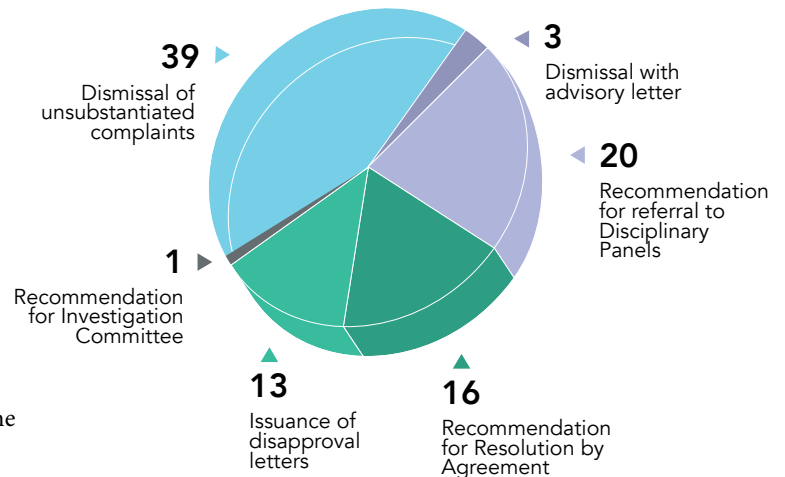
Compliance

Effective and efficient complaint handling and enforcement is essential in regulating member conduct and maintaining public trust. The Institute receives complaints involving ethical and professional conduct of our members, CPA practices and registered students, and through a well-established complaint handling process ensures that every complaint is treated fairly and consistently. Following rigorous assessment by compliance staff, each complaint is further evaluated by the Professional Conduct Committee, which has the delegated power to dismiss unsubstantiated complaints or adjudicate less serious complaints by issuing private reprimands.

For more serious complaints, the committee presents the Council with recommended actions for consideration. For moderately serious cases meeting pre-established criteria, the committee may offer a non-negotiable Resolution by Agreement (RBA) in lieu of formal disciplinary proceedings. The most serious cases, or if RBA is not accepted, will proceed to an independent Disciplinary Committee for formal proceedings. All RBAs and Disciplinary Committee orders are published in *A Plus* and on the Institute's website to ensure transparency of the enforcement process and provide information to the public.

This year, the Institute received 110 new complaints, bringing the total workload for the

year to 152 cases. The Professional Conduct Committee deliberated on 92 cases:



At the beginning of the reporting period, 22 disciplinary cases were in progress and during the period an additional 19 cases were referred from Council. Disciplinary Committees concluded 14 cases this year.

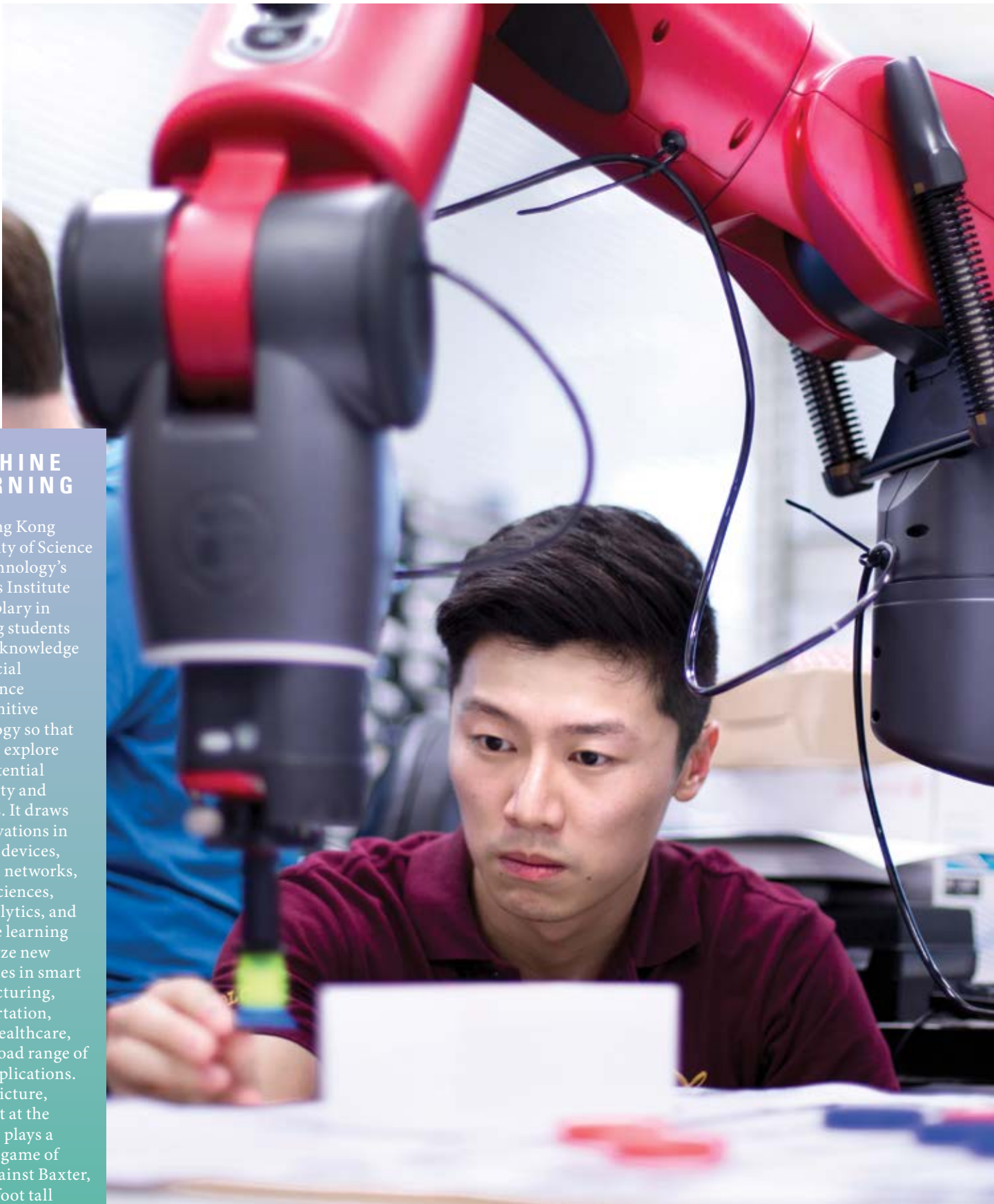
To maintain the integrity of the profession, the Institute takes action against individuals or companies who fraudulently use the title of “Certified Public Accountant” or “CPA,” or claim to be qualified and registered to practise as a CPA (practising). Seven cases were reported to the police during the year.

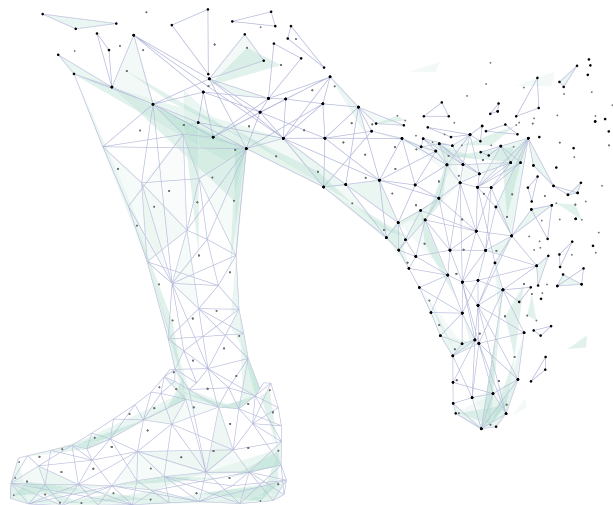
The Regulatory Oversight Board ensures that the Institute's complaint handling and disciplinary processes are dealt with according to public interest and policies established by Council. The board conducted its annual process review to evaluate the Compliance Department's operations, including the activities of the Professional Conduct Committee and disciplinary proceedings. The results were positive and showed that the department had adhered to established internal procedures.

Information acquired from the complaint process is used to promote good practice and raise awareness of regulatory issues through seminars, articles in *A Plus* and Facebook posts. In addition, the annual operations report and process review report have been published to promote transparency regarding our compliance activities.

MACHINE LEARNING

The Hong Kong University of Science and Technology's Robotics Institute is exemplary in ensuring students develop knowledge of artificial intelligence and cognitive technology so that they can explore their potential for society and business. It draws on innovations in sensors, devices, systems, networks, neuro-sciences, data analytics, and machine learning to catalyze new researches in smart manufacturing, transportation, safety, healthcare, and a broad range of other applications. In this picture, a student at the institute plays a friendly game of chess against Baxter, a three-foot tall industrial robot.





MEMBER SUPPORT AND DEVELOPMENT

The strength of the Institute lies in its diverse membership. Whether members decide to work in practice, in business or elsewhere, the Institute endeavours to see its members grow and flourish.

Beyond their careers, we are committed to instilling into members the importance of good health and work-life balance.

Specialist development

Our members pursue a wide range of careers and areas of specialization. To cater for their needs, the Institute has developed specialist training programmes and specialist designations on insolvency and taxation. Meanwhile, the Restructuring and Insolvency Faculty provides support through its representation and advocacy work and continuing professional development training for experienced insolvency practitioners and graduates of the Professional Diploma in Insolvency, as well as other insolvency training courses. The Taxation Faculty performs a similar function for senior practitioners and new diploma graduates, covering Hong Kong, China and international tax.

Throughout the year, the two faculties organized regular well-attended professional development seminars and networking events to help members expand their knowledge through exposure to the practical experience, views, and advice of experts locally, from the Mainland and overseas.

This year the annual Mainland taxation conference was held in May and attended by 554 members. A senior tax official from the Shenzhen Local Tax Bureau spoke on the subject of Individual Income Tax. While at the annual Hong Kong and international taxation update conference attended by 963 members, the discussion was focused on case studies in transfer pricing, as well as Hong Kong tax developments.

Meanwhile, the e-newsletters *The IP's Voice* and *Tax Link* provided members with the latest developments in their respective fields.

As of June 2017, the Restructuring and Insolvency Faculty had a member base of 570, while the Taxation Faculty had 840.

Our members pursue a wide range of careers and areas of specialization.



For more details about the Institute's work on specialist development, refer to the Qualification and Education section.

Professional interest groups

Corporate finance

It was a busy year for the Corporate Finance Interest Group which held four seminars, an evening talk and networking reception, and a half-day forum in conjunction with the International Association of CFOs and Corporate Treasurers (China).

The seminars held covered the international expansion of Mainland enterprises, the Shenzhen-Hong Kong Stock Connect, the rise of green bonds, and structuring of private investment funds. On average, more than 200 enrolments were received for each seminar.

An evening talk and networking drinks event was held in April on the topic "Through Meitu to envisage Tech IPOs in Hong Kong" and received 170 participants. The half-day forum in July 2016 on the theme of developing Hong Kong as a regional hub of corporate treasury received 150 enrolments.

Financial services

The Financial Services Interest Group held three seminars on the risk-based approach in practice, initiatives under the Fintech Facilitation Office of the Hong Kong Monetary Authority, and future of cryptocurrencies. Each event attracted an average of more than 120 enrolments. The interest group also organized a cocktail reception and talk on holistic retirement planning.

Forensics

The Forensics Interest Group (ForensIG), hosted a number of events including a well-received spring debate and cocktail session that featured a panel of distinguished speakers, discussing issues surrounding the Panama Papers saga. Following the practice of other interest groups, ForensIG was made free of charge for Institute members and had grown to a member base of 840 by mid-2017.

Information technology

The annual information technology conference was held in October 2016. Over 500 attendees heard from speakers on the theme of "Big Data for Big Business? – Leveraging the new age crystal ball to grow businesses whether big or small." Meanwhile, the Information Technology Interest Group held a seminar on how to enhance user experience through merging open data and design, and one on lease, regulations and security of data centre. Each event had an average enrolment of 80.

Mainland business

The Mainland Business Interest Group held two seminars, each attracting over 110 enrolments. One seminar was on the outlook of China's economy under "Trumponomics", while the second was on the importance of credit management for Mainland enterprises. A cocktail reception and talk was held in March with Secretary for Development Ma Siu Cheung providing an update on "Hong Kong 2030+".

The group also organized a study tour to Zhongshan and Zhuhai in July 2016 jointly with the Young Members Committee, and held a joint seminar with the Property, Infrastructure and Construction Interest Group (see below).

Property, infrastructure and construction

The Property, Infrastructure and Construction Interest Group held three seminars on counter-measures against property fraud, opportunities arising from the Asian Infrastructure Investment Bank (held in conjunction with the Mainland Business Interest Group), and applications of building information modelling technology. Each event attracted over 120 members. Furthermore, the interest group held a cocktail event in March, with Urban Renewal Authority Managing Director Wai Chi-sing speaking on the new paradigms and challenges of urban renewal.

Other support and developments

With anti-money laundering (AML) and counter-terrorist financing being international hot topics, the Institute co-organized seminars on the subject with the Narcotics Division of the Security Bureau to keep members abreast of the latest developments. As the designated regulator for the profession regarding the proposed new statutory AML requirements, currently being considered by the Legislative Council, the Institute consulted with members on draft guidelines to help them comply with new responsibilities. Additional training opportunities in this area are being arranged.

Members looking for free advisory service about the Mainland were encouraged to visit the Institute's China Desk located at the office of the Shenzhen Institute of CPAs. Subscription services to Mainland accounting and tax journals, yearbooks and study materials to PRC CPA Uniform Examination were also made readily available.

The Institute has various strategies to effectively support our diverse membership, including members in practice, members in business and young members. Through

face-to-face engagement forums the Institute is able to update members on the latest development in the profession, and obtain member feedback so that the Institute can provide better services. These forums have been an effective platform for encouraging an open dialogue with members.

Small and medium practitioners

In June, the Institute's president led a delegation of 25 small- and medium-sized practitioners (SMP) to Zhuhai to learn more about the potential economic benefits arising from the Hong Kong-Zhuhai-Macau Bridge and the Hengqin Free Trade Zone. The trip also provided members with an opportunity to network with their cross-border counterparts. In the same month, over 200 members attended a seminar on compliance matters tailored for SMPs.

The annual SMP symposium in November 2016 attracted 350 members covering updates on regulations, standards and practice management.

Professional accountants in business

Over 150 members attended the annual conference for Professional Accountants in Business (PAIB), held in September 2016, with the theme of "Technology – Friend or Foe." Meanwhile, the *Inside Business* quarterly newsletter ensured members were kept up to speed with market developments.

Young members

The mentorship programme, in its third year, provided an opportunity for young members to learn from seasoned CPAs. This year, the programme paired up more than 170 mentors and mentees.

UNBLOCKING POTENTIAL

The power of blockchain extends beyond supporting cryptocurrencies like bitcoin, with businesses exploring its potential for inventory and supply-chain uses, and even real-time audits in the future. The Big Four accounting firms are in the forefront of this technology. Earlier this year, it was announced that Deloitte and a consortium of banks were working with the Hong Kong Monetary Authority to develop a proof-of-concept blockchain-based platform for trade finance.

The career conference in November 2016 attracted more than 120 participants and provided insight on different roles played by CPAs in the capital market.

Throughout the year, many activities were held to expand young members' networks beyond the accounting profession. This year, young members of the Institute attended events organized by the Young Coalition Professional Group of the Hong Kong Coalition of Professional Services. Young members also had the opportunity to attend a two-day trip to Guangzhou to learn more about China's political, economic and diplomatic affairs, and a study tour to Zhongshan and Zhuhai (jointly organized with the Mainland Business Interest Group).

Corporate events

The Institute hosted a number of large-scale corporate events which brought together stakeholders and members from all walks of life.

The annual dinner, considered our flagship event, attracted more than 550 members and guests, including former convenor of the Executive Council, Lam Woon-kwong, as the guest of honour.

The Institute held its first President's Dinner in July 2016 featuring former president of the Legislative Council, Tsang Yok-sing, as the distinguished guest speaker.

The National Day celebration dinner, a joint event with the Society of Chinese Accountants and Auditors, was attended by nearly 700 guests from Hong Kong and the Mainland. The spring cocktail was another notable event the Institute led in celebration of the contributions to the profession made by over 340 committee members and their guests. In May 2017, the Institute held a reunion cocktail at the Institute Auditorium for new members admitted over the previous 12 months.

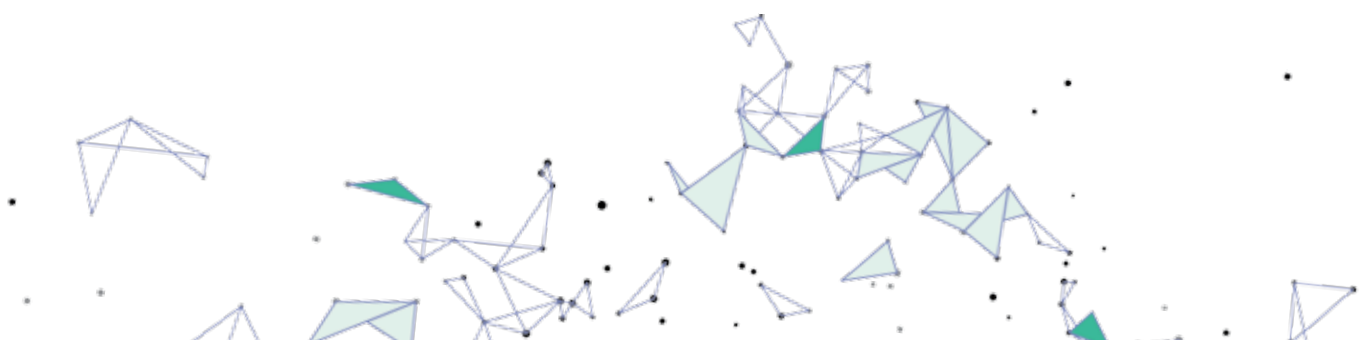
Sports and recreational activities

Achieving a healthy and active lifestyle is essential for the success of members' careers. The Institute organized a variety of activities to match their personal interests, and help foster friendships with their fellow members and build networks across other professional bodies in Hong Kong and with their CPA counterparts in the Mainland.

As of June 2017, there were 4,512 members across 15 interest groups under the Sports and Recreation Committee. During the year, over 430 sports and leisure activities were organized, including cross-profession, cross-border events and annual competitions.

Our members took part in many competitions and demonstrated their outstanding sportsmanship and talents. Events and team results included:

Events	HKICPA team achievements
Basketball competition organized by the Guangdong Provincial Institute of CPAs	Champion, defeating 15 other teams from Hong Kong, Macau and across the Guangdong province
Annual cross-border competition in Shenzhen with the Shenzhen Institute of CPAs, Guangzhou Institute of CPAs and the Finance Commission of Shenzhen Municipality	Champions for basketball and table tennis; third for badminton and football teams
2017 Five-Point Invitational Competition with Audit Commission, Companies Registry, Inland Revenue Department, and the Treasury	Champions for badminton and table tennis teams
Recreation and Sports Club for Hong Kong Professional Bodies (RSCP) basketball competition	Champion for five consecutive years, and won the most valuable player, steal leader and 3-points shoot out game awards
RSCP marathon competition	Champions for 10km and full marathon, and second for half marathon; and many individual medals
RSCP table tennis competition	Second place
Other RSCP competitions	Second in the snooker tournament and its pre-tournament friendly match; second in bowling; third in both bridge and tennis; second in both solo and group singing
Inter-professional golf tournament against the Hong Kong Medical Golfers Association	Champion for the 13th time since the tournament began 18 years ago
Hong Kong Medical Association's inter-professional 4x100m invitational relay race	Champion
Homeless World Cup Fundraising Tournament 2017	Champion (Dawn Shield category) for the football team
2016 Oxfam Trailwalker	A total of HK\$311,289 was raised by 10 teams; one of them broke the Institute record and completed the trial in 17 hours and 45 minutes
Chamber of Commerce Cup at the 2017 Standard Chartered Marathon	Five top prizes including second in the Chairman Cup division



MAINLAND AND INTERNATIONAL



Hong Kong CPAs are recognized globally for their diverse expertise. They manage and advise a wide range of organizations, from multinational listed companies and financial regulators to Internet start-ups and family businesses. They are also well-versed in matters relating to China, with many of them working extensively with or for companies across the border.

It is therefore essential for us to conduct outreach and dialogue with Mainland authorities and regulators to ensure that our members are kept abreast of developments and their views are heard and addressed. It is also

important to enhance our presence in global forums to reinforce Hong Kong's unique role as an international financial and trade centre, and the gateway to the Greater China market. As a top-tier body, the Institute is internationally recognized and our views are highly regarded on the global stage.

The Mainland

Creating cross-border opportunities

We stepped up our efforts to strengthen ties with the Mainland and in support of our members working across the border and those engaged in cross-border business. The Institute liaised with relevant authorities, and participated in various events, to address issues relating to the implementation of the Closer Economic Partnership Arrangement (CEPA), and to enhance opportunities for members to work in free trade zones. Activities aimed at achieving these objectives included:

- Participation in an exchange event between Hong Kong and Shenzhen on offering tax services in the Qianhai Free Trade Zone to facilitate cooperation between Hong Kong CPAs and their Qianhai counterparts.
- Liaison with the Nansha Free Trade Zone's authorities to develop policies to facilitate the provision of professional services by Hong Kong CPAs in the area.

To foster alliances between Hong Kong small and medium practitioners and their Guangdong counterparts, the Institute collaborated with the Guangdong Provincial Institute of CPAs to develop a "pairing" platform for members of both bodies.

The Institute is internationally recognized and our views are highly regarded on the global stage.



THE BEAUTY OF TECH

Mobile payments will overtake credit cards in 2019 according to a recent United Nations report. While Hong Kong's uptake was slow in the beginning, the market has now been stimulated by a host of brand-name mobile payment systems. In this picture, a customer at a SaSa store in Causeway Bay uses WeChat Wallet on her smartphone to make a purchase. The cosmetics company became the first Hong Kong retailer to allow customers to use WeChat Wallet in 2015.

In addition, the Institute visited Mainland tax authorities to strengthen relations and exchange views on technical issues concerning Mainland and cross-border taxation, and to increase both the awareness and understanding of the accounting profession in Hong Kong and the roles of the Institute and its members. In meetings with the China Certified Tax Agents Association in Shanghai and Shenzhen, we were able to foster a closer relationship with them, understand more about the local tax service sector, and discuss qualification recognition in Shenzhen/Qianhai.

Throughout the year, members had opportunities to gain further Mainland, Hong Kong and international tax knowledge from our popular annual Mainland China tax conference, Hong Kong annual tax conference, technical materials, meeting notes with Mainland authorities, regular continuing professional development courses, and the detailed Hong Kong tax and China tax diploma programmes.

Fostering sustainable work relations

The Institute's leadership and management made considerable effort throughout the year in developing and maintaining good relationships with Mainland stakeholders. We received a 20-person delegation from the Shenzhen Institute of CPAs council in February to help them understand our governance structure, operations and recent development in the Hong Kong accounting profession. Meanwhile, we met with the Finance Commission of the Shenzhen Municipality and the Bureau of Finance of the Guangzhou Municipality to discuss opportunities for closer cooperation.

A delegation led by Wang Peng, Vice Director General of the Ministry of Finance's (MoF) Accounting Department, visited the Institute in May to exchange views with us on regulations and other topical issues affecting the profession. Follow-up meetings between the MoF delegation and the Financial Services and the Treasury Bureau, Financial Reporting Council, Securities and Futures Commission and Hong Kong Exchanges and Clearing Limited were arranged as well.

Representatives from the Chinese Institute of CPA's Hong Kong office met with our leadership to establish further collaboration opportunities regarding matters relating to China's CPA examination.

AN INNOVATION POWERHOUSE

China has been pushing the boundaries of innovation with the success of Internet giants, which have paved the way for other local companies to follow. Both consumer appetite and government support have led to Chinese companies leading in areas including mobile payments, Internet finance, drone manufacturing, social media and artificial intelligence. Institute members working in innovative powerhouses across the border include **John Lo**, CFO at Tencent, **Tiffany Zee** and **Yeung Man-sun**, finance directors at Alibaba.com China, and **Anthony Sit**, Director of the Corporate Inspection Department at Huawei Technologies.

The annual Cross-Straits, Hong Kong and Macau Accounting Profession Conference, held in October 2016, provided an additional outreach platform for the Institute. A 50-member Institute delegation attended the conference and discussed regional issues concerning the profession.

Members of the China Tax Subcommittee visited the States Administration of Taxation in Beijing and held liaison meetings with the state and local taxation bureaus of Guangdong and Shenzhen, sharing views on cross-border tax matters.

The Institute also signed a memorandum of understanding with the Hong Kong liaison office of the Shenzhen local tax bureau. This covered meetings, sharing information on tax systems and administration, sharing feedback from the business community, especially on the Qianhai free trade zone, and exploring opportunities for research, seminars and training. The Shenzhen local tax bureau subsequently sent an experienced tax official to present on recent developments in individual income tax at our annual Mainland tax conference in May 2017.

Council's annual visit

For our annual visit to Beijing and Shanghai in May this year, the Institute assembled a 16-member delegation consisting of Council members, senior management staff and officials from the Liaison Office of the Central People's Government in Hong Kong. During the visit, the Institute's team met with representatives from the Ministry of Finance, Chinese Institute of CPAs, State Administration of Taxation, China Securities Regulatory Commission, China Certified Tax Agents Association, China (Shanghai) Pilot Free Trade Zone office and Shanghai Institute of CPAs.

The Institute also held three cocktail receptions in Guangzhou, Beijing and Shanghai, strengthening connections with stakeholders from the Mainland, including Chinese government and regulatory authorities, professional and business organizations, universities and professional firms.

International

As a top-tier accountancy body with members whose qualification and skills are recognized around the world, the Institute participated actively in many forums and arenas at the international level.

During the year, the Institute's representatives actively engaged with the IFRS Foundation, the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants, and participated in meetings and activities of standard setters at international and regional levels including the International Forum of Accounting Standard Setters and the Asian-Oceanian Standard-Setters Group (see Standards, Ethics and Regulation section for details).

The Institute chief executive's activities as a member of the Board of the International Federation of Accountants (IFAC), our representative on the IFAC Professional Accountants in Business Committee (IFAC PAIB Committee) and our participation in other international groups and organizations like the Global Accounting Alliance (GAA), International Association of Restructuring, Insolvency and Bankruptcy Professionals (INSOL International), Accounting for Sustainability (A4S) and Asia

Oceania Tax Consultants' Association (AOTCA) ensured that Hong Kong's voice was heard and influential in the international arena in many areas beyond standard setting.

Aside from participating in monthly GAA Board meetings, Institute representatives attended two face-to-face meetings of the GAA Tax Directors Group, a face-to-face meeting of the GAA Education Directors Group, and participated in teleconferences for these two groups and the GAA Technical Directors Group. The groups promote information sharing and best practices as well as providing opportunities to network, discuss and collaborate on important international issues and their solutions.

Two meetings of the IFAC PAIB Committee were held in September 2016 and March 2017, where our representative discussed a range of topics affecting PAIBs, and was able to bring a number of relevant ideas and initiatives back to Hong Kong.

At the AOTCA, our representatives from the Taxation Faculty Executive Committee took an active part in the AGM and tax conference, as well as serving as advisors to its technical committee.

As one of the largest membership bodies of the INSOL International, the Institute is entitled to nominate a director to its board. The Institute nominated the chair of its Restructuring and Insolvency Faculty Executive Committee for a three-year term commencing October 2016.

In addition to providing comments on international standard setting proposals, we offered views on other international papers and frameworks that affect the profession, including the Committee of Sponsoring Organizations of the Treadway Commission's exposure draft on *Enterprise Risk Management – Aligning Risk with Strategy and Performance*, the proposals of the Task-force on Climate-related Financial Disclosures and the International Integrated Reporting Council consultation on implementation of the Integrated Reporting Framework.

Groups within the Institute, such as the Sustainability and Integrated Reporting Advisory Panel and the PAIB and SMP committees, also gave comments on international consultation papers and exposure drafts that had implications for their respective areas of interest.



Persons nominated by the Institute to serve on international organizations at 30 June 2017

International Federation of Accountants

- **Raphael Ding**, Board member and member of Planning and Finance Committee
- **Chris Joy**, Technical advisor to Raphael Ding
- **Wendy Yung**, Member of Professional Accountants in Business Committee
- **Mary Lam**, Technical advisor 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

IFRS Foundation

- **Ronald Arculli**, Trustee of IFRS Foundation

International Forum of Accounting Standard Setters

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

IFRS World Standard Setters (financial reporting)

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

Asian-Oceanian Standard-Setters Group (financial reporting)

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

Global Accounting Alliance (GAA)

- **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)

- **Mat Ng**, Board director

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
- **Edward Lean**, Institute representative

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

FLYING SUCCESS

Founded by former HKUST student **Frank Wang Tao** in his dorm room in 2006, DJI has now become the world's leading civilian drone company with over 11,000 staff with offices in 17 cities and customers in over 100 countries. Professionals in filmmaking, agriculture, conservation, search and rescue, energy sector, infrastructure and more are using DJI's products to bring new perspectives to their work and help them accomplish tasks safer, faster, and with greater efficiency. The company has recently clinched the 2017 Technology & Engineering Emmy Award. Pictured here is a customer at the DJI Hong Kong flagship store in Causeway Bay experiencing its latest technology.



COMMUNICATION AND BRANDING

To truly work on behalf of the profession and the public interest, it is crucial that the Institute maintains strong connections with members, stakeholders, media and Hong Kong at large.

The Institute formed the Branding and Communication Advisory Panel earlier this year with the aim of developing CPA as a more distinct brand and to effectively educate the general public about the versatile roles of our members, and to enhance our communication with members and other stakeholders in response to this fast-paced, technology-driven world.

Key findings arising from the Institute's annual membership survey garnered much media attention.

Media and publicity

Given that the profession plays an influential role in safeguarding Hong Kong as an international business and financial centre, key findings arising from the Institute's annual membership survey garnered much media attention.

The fourth annual membership survey was released at a press conference in late June 2017, where the opportunities and challenges for the profession were highlighted. The results indicated that our members enjoyed favourable remuneration and high levels of mobility within their careers, while those with diverse skill sets and experience were in high demand, proving the profession was on an upswing. The survey also reflected that our members played a significant role in a wide range of sectors in business, pillar industries and capital markets, by providing top-level professional services.

To maintain a high level of media exposure, the Institute's leadership actively met with the media, allowing the public to hear our views on professional and other related issues.

The Institute's newly-elected leadership team in December 2016 gave interviews to major dailies highlighting the new Qualification Programme (QP), engagement plans with members, and other goals for 2017.

Among the wide range of subjects covered through our engagement with the media was our advocacy on audit regulatory reform. The Institute issued a press release in late October 2016 to reiterate its position on the reform and received wide coverage from the media.

This year, we also organized a series of lunches with the media to provide them with important Institute updates. In March, one lunch with frontline reporters and four lunches with senior editors of major newspapers and e-media were held, covering topics including professional liability, new QP, review of practical experience, requirements of setting up a firm in the Mainland and audit regulatory reform progress.

In relation to the new QP, the Institute announced the release of the *Position Paper for the CPA Qualifying Process Reform* at a media briefing in January 2017. We explained how the accounting profession is embracing innovation and information technology, and how the reform would ensure that the CPA qualification is in step with the changes in business and international benchmarks.

The Institute organized a media workshop in late March to help frontline reporters analyse the changes brought by the New Auditor's Report. The workshop attracted 18 reporters, with the Institute's chief executive providing case studies to underline how the new report would enhance corporate transparency.

Our active engagement with the media resulted in news stories covering our positions on the government's budget. In January, representatives from Taxation Faculty Executive Committee held a press briefing, which was covered by multiple media platforms, including television, radio, print and online publications. The Institute's president was invited to attend a live television broadcast of *City Forum* in February to discuss the 2017 budget.

Meanwhile, the Institute's chief executive was featured in a local daily commenting on the government's Policy Address regarding abolishing the offsetting arrangement of the Mandatory Provident Fund Scheme and undertaking a comprehensive review of the taxation system in Hong Kong. He also spoke to Reuters regarding anti-money laundering in February.

The president was a key target for the media, with multiple interviews published throughout the year, covering areas such as her career,

the recent work of the Institute, and the Belt and Road Initiative. She was featured in a digital video for the Open University of Hong Kong which showcased graduates studying accountancy programmes accredited by the Institute.

This year, the Institute was able to share *A Plus* articles with a wider audience to promote its thought leadership and the successful image of our members. Chinese versions of articles on topics such as future leadership, empowerment and insolvency law were published in the *Hong Kong Economic Journal*. In addition, we formed a new partnership with *Master Insight*, a Hong Kong media portal that covers business, culture and technology topics, to publish the Chinese versions of Success Ingredient articles in *A Plus*.

Advertising

As a supporting organization of the 2017 SCMP Classified Post Career Forum, the Institute had a two-page advertorial published on the day of the event and a post-event supplement, featuring an interview with the president on the evolving role of accountants in the modern business world, their job opportunities, and how the new QP prepares prospective CPAs for the future.

During the year, the Institute increased its promotional efforts and ran advertisements in various media publications featuring topics such as our new Financial Controllership Programme which aims to train finance leaders for Hong Kong, career forum and case analysis competitions for university students.

To reach a broader audience in China, a double-paged advertisement was placed in the *China Taxation Yearbook 2016*, a publication by State Administration of Taxation and China Taxation Publication House, to highlight the roles and expertise of Hong Kong CPAs in managing cross-border transactions and tax-related matters, and the Institute's two professional diplomas in Hong Kong and China taxation. In addition, corporate adverts were placed in *Xinlicai*, China's leading business and finance magazine published by the Ministry of Finance.

Beyond print advertising, the Institute prominently showcased the CPA brand at the Asian Financial Forum in January 2017, which was attended by more than 1,000 regional business executives and leaders. The Institute's corporate advert was set up in one of the 10-foot tall light boxes at the event.

JUMPSTART SUCCESS

Cyberport is committed to nurturing youth, start-ups and entrepreneurs to grow in the digital industry by connecting them to strategic partners and investors. In September, it partnered with Hong Kong Monetary Authority to lead Hong Kong's largest FinTech delegation to London to expand partnership network.

Wong Mei-wan, CFO at Cyberport and an Institute member, is among a team of committed professionals to support tech development in Hong Kong.

Enhancing communication

The fourth annual membership survey received 3,748 responses and provided us with important insight into members' needs. The survey results clearly showed that members were looking to the Institute for professional and technical training. With the feedback received, the Institute is able to formulate the necessary strategies to better serve members.

We adopted an integrated and cross-channel approach to communicate with our members. The weekly *e-circular* is a major channel to highlight the most important happenings of the Institute in each week, while different e-newsletters were published to serve different

purposes, including CPD, technical, insolvency, tax, corporate finance, forensic, professional accountants in business, and lifestyle.

The Institute is also looking into its digital strategy with a view to better target each member's specific needs in its communication.

Launched in 2015, the Institute's official Facebook page is key to connecting with an increasingly young and tech-savvy membership. Through the platform, important Institute updates and news related to the profession are communicated to followers in a dynamic way. As of July 2017, the page has attracted 9,867 "likes".

A Plus covers important topics relating to the profession and offers insight on topical issues. It also released a new mobile version that is more user-friendly in August 2017.

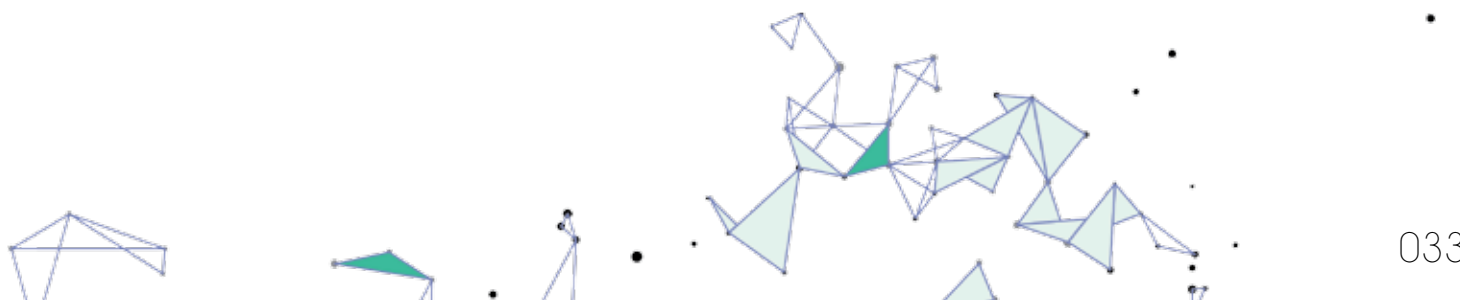
We actively enabled members to fulfil their civic duty. For example, the Institute arranged designated spots at its office for the election posters of all 62 candidates running for the Election Committee accountancy subsector election, and sent emails to remind members to exercise their rights to vote on the election day on 11 December.

In the lead up to the 2017 Chief Executive election, we created a dedicated webpage to provide a one-stop platform for members to access all relevant information about the Chief Executive candidates.

During the year, we held many face-to-face meetings and events with members to build stronger rapport with them and listen to their views on how the Institute can serve them better.

The Institute engaged with other stakeholders, including financial regulators, major accounting firms, chambers of commerce and other major bodies by arranging special visits to their offices in the first quarter of the year. The Institute's president and chief executive met with senior management from these stakeholders to update them on the latest developments of the profession, exchange views on matters of common concern, and explore collaboration opportunities.

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





MAKING A DIFFERENCE TO SOCIETY AND THOUGHT LEADERSHIP

The Institute contributes its expertise to the wider community in order to make a difference to society. Through leading the profession and supporting the needs of the local community, the Institute has been dedicated to pursuing activities that benefit Hong Kong and beyond.

Thought leadership and advocacy

This year, the Institute gave submissions to government and other authorities on a range of consultations, contributing its expertise and voicing our members' views.

For example, in the fight against money laundering and terrorist financing (AML), we have been liaising closely with the Financial Services and the Treasury Bureau and Companies

Registry on two proposals: firstly on bringing designated non-financial businesses and professions, including accountants, and trust or company service providers, into the regulatory framework; and secondly on enhancing the transparency of beneficial ownership of Hong Kong incorporated companies. In March, the Institute held a members forum to collect views on the public consultation on the above two issues which were attended by government representatives from the Financial Services and Treasury Bureau and Companies Registry. Our members' views were influential in helping to shape the government's conclusions, issued in April this year.

As the designated regulator for the profession in relation to compliance with the new AML requirements, the Institute has reached the final stages of drawing up AML guidelines for members' reference after incorporating comments from a member consultation process. In September 2017, we held a seminar and a workshop on the application of the guidelines and issues surrounding AML compliance.

Meanwhile, the Institute submitted comments on both the concept and consultation papers of Hong Kong Exchanges and Clearing, which set out proposals to enhance Hong Kong's listing framework, improve market quality and attract a broader range of companies to list in Hong Kong.

To mark the 18th anniversary of the Best Corporate Governance (BCG) Awards and to

PIONEERING MINDS

Hong Kong's start-up scene is one of the most vibrant in the world with companies providing a wide range of products and services. Among those taking on the challenges and opportunities of entrepreneurship are Institute members **Victor Tan**, who founded Infinity Cube, which provides intelligent sports coaching using mobile devices, and **Billy Lau**, CFO at online food delivery service foodpanda.

BRIGHT LIGHTS, SMART CITY

With thousands of visitors from local and overseas every year, the annual APAC Innovation Summit organized by the Hong Kong Science and Technology Parks Corporation has established itself as an international reputation. The 2017 event held in September explored the smart city blueprint for Hong Kong and discussed how sensor technologies can be applied in lighting, parking, surveillance, air and water quality control and wellness monitoring. Pictured here is a display unit at the summit developed by Radica, a big data company, located at Hong Kong Science Park. It shows a map overlaid with data captured from electric car charging stations, shopping malls and households.





SMART CITY

A smart city is where liveability is improved through using technology to enhance city management and people's mobility. While there are huge potential benefits, the threat to data security needs to be addressed. With its expertise in innovation strategy and big data management, PwC was commissioned by the Hong Kong government in 2016 to conduct the Smart City Development Blueprint, which is expected to guide policy until 2030.

take account of the evolving market, we introduced two separate categories within the broad group of non-Hang Seng Index-constituent companies, for small and medium market capitalization companies respectively. Through the comparisons within peer groups facilitated by the awards, we aim to encourage companies of various sizes to raise their governance standards.

To further promote good corporate governance practices, we organized an experience-sharing session for members in June featuring speakers from two winners of the BCG Awards, Lenovo and Pacific Basin Shipping, to talk about their best practices in key areas such as board operation and composition, risk management and internal control, sustainability, and social responsibility reporting. Similar further events will be offered in the future.

Detailed minutes for the annual meeting between the Institute's Taxation Faculty Executive Committee and the Inland Revenue Department, and notes of meetings with the State Administration of Taxation and PRC local tax bureaus were published on our website.

We offered our thought leadership to the public on the government budget. In January, our tax policy and budget proposals for 2017-18 were submitted to Hong Kong's chief executive and financial secretary. A press briefing was held later in the month to highlight our key proposals, receiving wide coverage in the media.

On budget day, representatives of the Taxation Faculty Executive Committee took part in media

interviews to share the Institute's views on the budget. A lively panel discussion took place that evening as speakers discussed their opinions on the matter.

In summary, the Institute provided professional advice on various consultations and made proposals to the following bodies:

Financial Services and the Treasury Bureau:

- Enhancing anti-money laundering regulations of designated non-financial businesses and professions, and disclosure of beneficial ownership of Hong Kong companies
- Improvements to the corporate insolvency framework regarding corporate rescue and insolvent trading
- Implementation of measures relating to the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting initiative
- Tax legislative proposals on open-ended fund companies

Securities and Futures Commission:

- Rules and codes on open-ended fund companies

Hong Kong Exchanges and Clearing Limited:

- Consultation on a proposed New Board and repositioning of the Main Board and Growth Enterprise Market, and soft consultation on other topics
- Review of the corporate governance code and related listing rules
- Proposals for implementing the framework for open-ended fund companies

Hong Kong Monetary Authority:

- Regulations on protected arrangements under the Financial Institutions (Resolution) Ordinance

Judiciary:

- Proposed amendments to Practice Directions arising from Companies (Winding Up and Miscellaneous Provisions) (Amendment) Ordinance

Trade and Industry Department:

- Negotiation of a free trade agreement between Hong Kong and Australia

Legislative Council Bills Committees:

- Inland Revenue (Amendment) (No.2)
Bill 2017 on aircraft leasing
- Inland Revenue (Amendment) (No. 3)
Bill 2017 on automatic exchange of information

International bodies:

- Committee of Sponsoring Organizations of the Treadway Commission ERM Framework: Enterprise Risk Management – Aligning Risk with Strategy and Performance
- Various exposure drafts from international standard setting bodies (see Standards, Ethics and Regulation section for details)

Supporting the community

Through a range of outreach programmes and activities, the Institute identified and served the needs of a wider community.

The “CPA for NGO” social responsibility programme, which began in December 2013, supports non-governmental organizations (NGO) aiming to improve their financial reporting and governance through the expertise of our members. Two new initiatives were introduced this year including a six-month advisory service to NGOs which lack the resources required to engage professional accountants, and a series of six workshops for NGO treasurers on accounting and financial topics.

Ongoing activities during the year included two seminars focused on producing better annual reports which were attended by nearly 150 NGO representatives, as well as two workshops on preparing financial statements and financial reporting standards for small NGOs and their board members and executives.

We visited board members and executives of 27 NGOs in Hong Kong to promote the importance of good governance and sound financial management for achieving sustainable development.

As the sole strategic partner of the Hong Kong Council of Social Service’s NGO Governance Platform Project, the Institute sponsored and participated in a series of luncheon talks focusing on the challenges encountered by NGO boards.

To reach a wider audience and act as a good reference source, the Institute published three quick guides providing NGOs and the public with useful information on internal control and audit, reserve policy, and governance and accountability.

Supporting Hong Kong’s next generation

Sharing our core skills in money management with the younger generation is meaningful to us. As part of our popular “Rich Kid, Poor Kid” programme, our Accountant Ambassadors held 72 sessions throughout the year, reaching nearly 13,000 primary and secondary school students, and highlighted to them the importance of practising financial responsibility, even at an early age.

Our range of education-based initiatives supporting future generations also covered other areas.

We co-organized a career talk with Caritas School Social Work Service in November 2016, which saw an attendance from nearly 250 secondary school students. During the event, Accountant Ambassadors from practice and commerce shared their work experiences and job interview tips.

To provide a first-hand glimpse of a CPA’s work environment, visits were arranged with some large and medium accounting firms. As a result, more than 200 secondary school students gained a better understanding of what it is like in a firm’s everyday operations.

At this year’s Millennium Entrepreneurship Programme, organized by WoFoo Social Enterprises, 16 Accountant Ambassadors signed up as mentors to lead students in preparing business proposals for an inter-school case competition, featuring the theme of Green Business in the Community.

Meanwhile, the Institute supported events organized by the Hong Kong Coalition of Professional Services, and appealed to members to participate in the 2017 Yuen Long District secondary school students’ internship programme, mentoring Form Five students and providing them with valuable work experience.

For the government’s Future Stars programme, the HKICPA Charitable Fund provided 10 scholarships to underprivileged students to help them achieve upward social mobility. Additionally, the Fund sponsored a CPA team of 15 members to compete in the 2017 Homeless World Cup fundraising tournament, an international football event focused on inspiring homeless people to change their lives for the better.



OCEAN OF OPPORTUNITY

Sustainability and technology are two of the most important subjects underpinning the world's development in the future. Harnessing technology to contribute to sustainability is the mission of Hong Kong-based ecological start-up 77Blue. One of its projects is collaborating with a factory in Shenzhen to transform waste plastic retrieved from the ocean into sunglasses. Pictured here is Founder **Juliet Lui Shayne** working with her partner.



CORPORATE SOCIAL RESPONSIBILITY REPORT

Corporate governance defines the quality and sustainability of the Hong Kong market.

The Institute is focused on leading from the top when it comes to corporate social responsibility. We understand that social and environmental considerations are vital to achieving the sustainable development of our organization, our staff, members and Hong Kong at large.

In its 18th year, the Institute's annual flagship Best Corporate Governance Awards advocate the importance of sustainability and social responsibility reporting. As detailed in the previous chapter, this year the awards' categories were expanded to account for non-Hang Seng Index-constituent mid-sized companies.

Corporate governance defines the quality and sustainability of the Hong Kong market. We made progress on our corporate governance project which aims to review Hong Kong's corporate governance through comparisons with those in other major capital markets. Experts have been engaged to assist with researching and writing a report. Based on the research, recommendations will be made on enhancing Hong Kong's standards of corporate governance, and supporting the sustainability and long term competitiveness of the capital markets.

Throughout the year, our Sustainability and Integrated Reporting Advisory Panel provided guidance on our activities and communications to educate and raise the awareness of members and the wider business community about the importance of sustainability. We achieved this also by partnering with local and global organizations such as the International Integrated Reporting Council, Accounting for Sustainability, and Business Environment Council.

Workplace quality

To better serve members, the Institute's staff took up courses and seminars to enhance their personal skills and productivity, covering topics such as accounting, auditing, information technology and English writing. Bolstering soft skills was also a core component of their studies, including those on presenting, leadership, project management, time management, communication, critical thinking, problem solving, customer service, and telephone interactions.

During the year, a total of 814 enrolments across 382 training programmes were recorded, which amounted to 3,361 training hours for the Institute's staff.

To enhance the Institute's operational efficiency and governance, senior positions were filled in various departments.

Use of resources

The Institute took initiatives to push for reduction of its carbon footprint throughout its offices by implementing energy-saving and sustainability measures.

Paper consumption

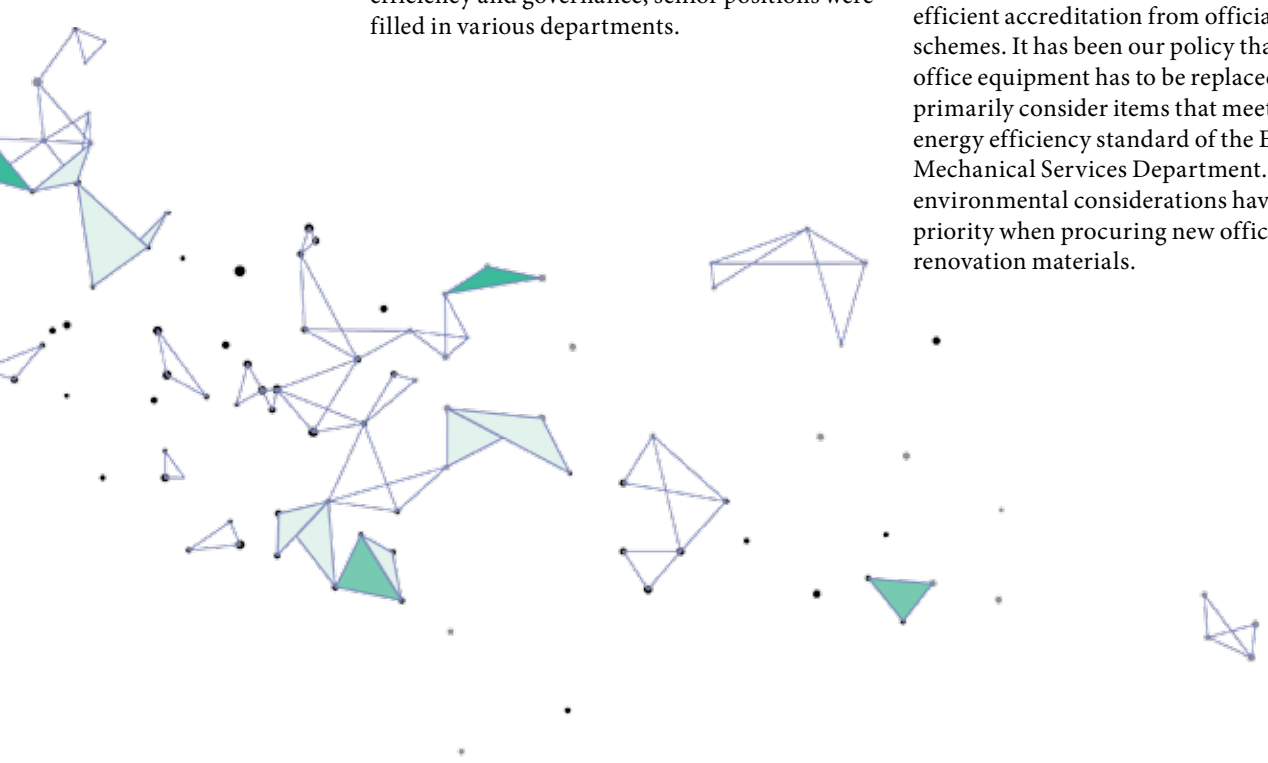
The Institute cut down its usage of paper and implemented the online renewal system to interact with students via email instead of via post, which also streamlined our work processes. At the end of 2016, a total of 18,486 students were asked to settle their annual subscriptions via email while only 200 of them were sent by post because they did not provide email addresses or could not be contacted by email.

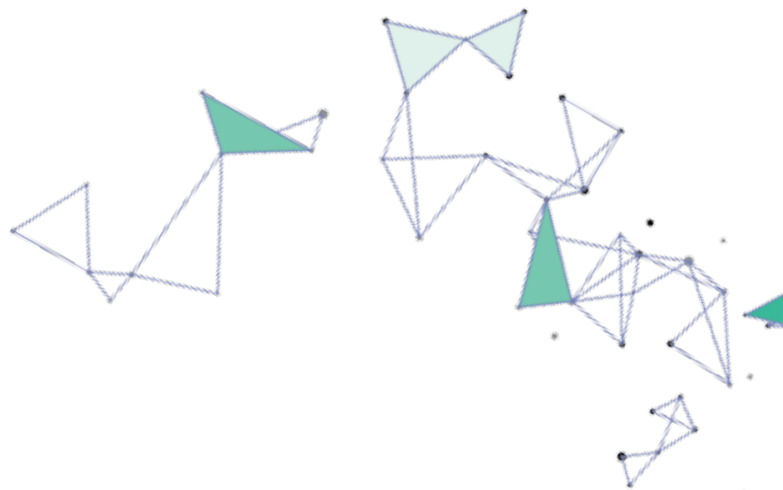
Waste management

We used recycling facilities to collect paper, plastic, toner, ink cartridges and cardboard boxes, while large carton boxes were saved for internal moving projects. Wastewater from our pantries went through under-sink grease traps before being discharged to the public sewerage system. Cleaning contractors came to our office to remove built-up sludge in the traps on a regular basis.

Green procurement

Many of our electrical appliances have energy-efficient accreditation from official certification schemes. It has been our policy that when office equipment has to be replaced, we will primarily consider items that meet the grade 1 energy efficiency standard of the Electrical and Mechanical Services Department. Similarly, environmental considerations have been our priority when procuring new office furniture or renovation materials.





Operating practices

As a statutory body, the Institute acts as a guardian of both the accounting profession and public interest. We employ a centralized online system to process and handle incoming enquiries from all sources, whether they are from members, students or the general public. We enhanced the system this year by designing a user-friendly “Contact Us” page, listing out direct emails for specific enquiries and providing answers to frequently-asked questions, so that enquiries can be properly and efficiently addressed.

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 or 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. Established whistle-blowing arrangements to receive and handle complaints about the Institute’s operations and staff have been maintained.

INSURANCE'S NEW NORMAL

Insurance technology, or InsurTech, is changing the way insurers sell insurance, assess risk and detect fraud. Various FinTech developments are adaptable to the insurance sector, from data collection using “wearables” to novel ways of electronic payment. Insurance companies actively harnessing InsurTech include FWD, which is using big data and blockchain to enhance its customer knowledge and identify risk, as well as utilizing chatbots to interact with customers. Its CFO is **Raymond Lo**, an Institute member.

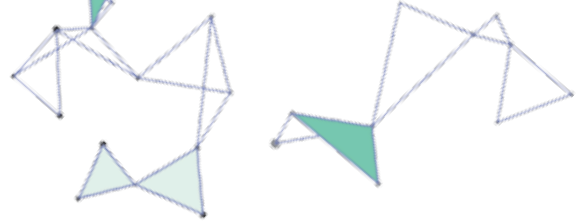
Community involvement

The Institute is committed to supporting the community through both existing and new corporate social responsibility programmes. During the year, members actively contributed their expertise and experience through the following projects:

- CPA for NGO, a social responsibility programme, which advocates for the benefits of good corporate governance practices among non-government and social welfare organizations, and provides their leadership and staff with professional advice on internal controls and financial management.
- Rich Kid, Poor Kid, a programme where CPAs visit primary and secondary schools throughout Hong Kong to teach students the knowledge of money management.
- Free Public Advisory Service Scheme, which provides weekly sessions for members of the public to meet CPAs face-to-face and receive pro bono accounting-related advice.
- Education and mentorship programmes, where secondary school students receive guidance from CPAs on their studies and career prospects.
- Computer Provisioning Aid, a donation programme organized with Caritas Hong Kong to provide school children from underprivileged families with refurbished laptops, desktop computers, monitors and other accessories.
- Various external charity events, such as the Hong Kong Cyclothon, Oxfam Trailwalker and Standard Chartered Hong Kong Marathon.

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

COUNCIL



Elected members

- 1 Mabel M.B. Chan (*President*)
- 2 Eric Tong (*Vice President*)
- 3 Law Fu Yuen, Patrick (*Vice President*)
- 4 Raymond Cheng
- 5 Jennifer H.Y. Cheung
- 6 Cho Lung Pui Lan, Stella
- 7 Fong Wan Huen, Loretta
- 8 Johnson Kong
- 9 Ronald Kung*
- 10 Lam Chi Yuen, Nelson
- 11 Stephen Law
- 12 Charbon Lo
- 13 Wong Hin Wing, Simon
- 14 Kim Man Wong

Immediate Past President

- 15 Cheung Wing Han, Ivy

Government-appointed lay members

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

Co-opted members

- 20 Wendy W.Y. Yung

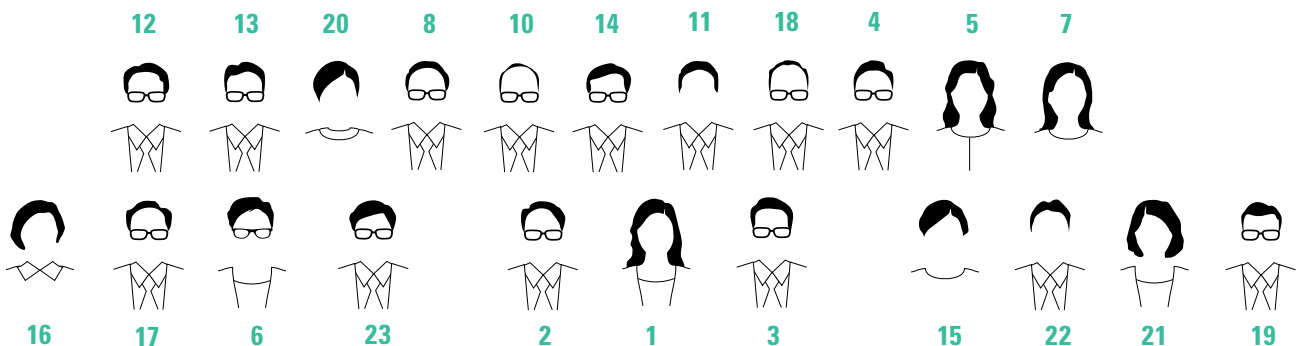
Ex-officio members

- 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*)

* Ronald Kung was absent in the photo shooting session.



COMMITTEES AND WORKING GROUPS

Statutory	Chairmen and convenors
Disciplinary Panels	Russell Coleman
Investigation Panels	Yih Lai Tak, Dieter
Practice Review Committee	Cecilia Yam
Qualification and Examinations Board	Richard Tse
Registration and Practising Committee	Patrick Law
Non-statutory	Chairmen and convenors
Audit Committee	Fong Chung, Mark
Auditing and Assurance Standards Committee	Eric Tong
Education Standards Committee	Kim Man Wong
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
Nomination Committee	Mabel M.B. Chan
Professional Accountants in Business Committee	Stephen Law
Professional Conduct Committee	Johnson Kong
Professional Development Committee	Kim Man Wong
Qualification Oversight Board	Johnson Kong
Regulatory Oversight Board	Melissa Brown
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
Taxation Faculty Executive Committee	Tam Chun Hung, Anthony
Young Members Committee	Chan Hiu Fun, Ivan
Panels and working groups	Chairmen and convenors
Accountancy Manpower Research Advisory Panel	Cho Lung Pui Lan, Stella
Audit Profession Reform Advisory Panel	Charles Lee
Audit Profession Reform Working Group	Mabel M.B. Chan
Banking Regulatory Advisory Panel	Peter Po-ting Li
Branding and Communication Advisory Panel	Eric Tong
Corporate Finance Advisory Panel	Paul Chau
Corporate Governance Working Group	Kim Man Wong
Insurance Regulatory Advisory Panel	Lars Nielsen
Investment Funds Regulatory Advisory Panel	Chui Ming Wai, Vivian
Mainland Development Strategies Advisory Panel	Jack S.L. Chow
Professional Standards Monitoring Expert Panel	Not applicable
Securities Regulatory Advisory Panel	Eric Tong
Sustainability and Integrated Reporting Advisory Panel	Peter H.Y. Wong
Tax Specialization Development Working Group	Alexander Mak

MANAGEMENT TEAM



Chief Executive and Registrar

- 1 Ding Wai Chuen, Raphael

Executive Directors

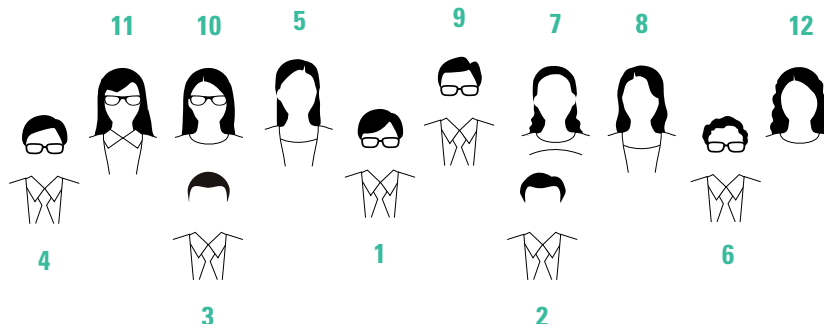
- 2 Jonathan Ng
Qualification and Education
- 3 Chris Joy
Standards and Regulation

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
- 12 Christina Ng
Standard Setting





A U D I T O R ' S R E P O R T A N D F I N A N C I A L S T A T E M E N T S

HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE HKICPA TRUST FUND

THE HKICPA CHARITABLE FUND

Independent Auditor's Report

To the members of Hong Kong Institute of Certified Public Accountants

(Incorporated in Hong Kong under the Professional Accountants Ordinance)

Opinion

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 48 to 82, 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 2017, 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 notes to 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 Group and of the Institute at 30 June 2017, and of the financial performance and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Institute and have been properly prepared in accordance with the Professional Accountants Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Institute. 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 Group in accordance with the Institute'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.

Other Information

The Council of the Institute is responsible for the other information. The other information comprises the information included in the Institute's 2017 annual report but does not include the financial statements of the Group and the Institute and our auditor's report thereon. The other information obtained at the date of this auditor's report is the financial statements of the Institute's subsidiaries, The HKICPA Trust Fund and The HKICPA Charitable Fund.

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 on the other information obtained prior to the date of this auditor's report, 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.

Responsibilities of Council 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 HKFRSs 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.

In preparing the financial statements, the Council is responsible for assessing the Group'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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Council 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.

Mazars CPA Limited

Certified Public Accountants

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

26 September 2017

The engagement director on the audit resulting in this independent auditor's report is:

Chan Chi Ming Andy

Practising Certificate number: P05132

Statements of Financial Position

At 30 June 2017

	Note	Group		Institute	
		2017 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000	2016 HK\$ '000
Non-current assets					
Fixed assets	4	162,434	167,628	161,696	166,491
Interests in subsidiaries	5	-	-	-	-
Deferred tax assets	6	192	956	192	956
Prepayments for purchase of fixed assets		220	3,790	220	3,790
		<u>162,846</u>	<u>172,374</u>	<u>162,108</u>	<u>171,237</u>
Current assets					
Inventories		681	748	681	745
Receivables	7	2,403	2,020	2,830	2,826
Deposits and prepayments		6,886	7,777	6,763	7,667
Tax recoverable		27	11	-	-
Time deposits with original maturities over three months	21a	321,317	317,112	293,635	286,759
Cash and cash equivalents	8	56,541	35,158	50,931	30,107
		<u>387,855</u>	<u>362,826</u>	<u>354,840</u>	<u>328,104</u>
Current liabilities					
Contract liabilities	9	(80,585)	(80,910)	(79,846)	(80,145)
Payables and accruals	10	(37,758)	(34,979)	(36,206)	(33,170)
Lease liabilities	4	(1,543)	(2,355)	(1,012)	(1,735)
Current tax liabilities		(128)	(2,370)	(128)	(2,370)
		<u>(120,014)</u>	<u>(120,614)</u>	<u>(117,192)</u>	<u>(117,420)</u>
Net current assets		<u>267,841</u>	<u>242,212</u>	<u>237,648</u>	<u>210,684</u>
Non-current liabilities					
Lease liabilities	4	(1,231)	(2,229)	(1,051)	(1,795)
Deferred tax liabilities	6	-	-	-	-
		<u>(1,231)</u>	<u>(2,229)</u>	<u>(1,051)</u>	<u>(1,795)</u>
		<u>429,456</u>	<u>412,357</u>	<u>398,705</u>	<u>380,126</u>
Funds and reserve					
General fund	11	242,689	232,558	217,826	206,218
Capital fund	11	186,889	179,918	180,879	173,908
Exchange reserve		(122)	(119)	-	-
		<u>429,456</u>	<u>412,357</u>	<u>398,705</u>	<u>380,126</u>

Approved by the Council on 26 September 2017

Chan Mei Bo, Mabel
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2017

	<i>Note</i>	Group		Institute	
		2017	2016	2017	2016
		<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Subscriptions and fees	12	141,172	138,583	139,619	136,785
Other revenue	13	101,136	96,281	100,187	93,646
Total revenue from contracts with customers		242,308	234,864	239,806	230,431
Other income	14	23,222	18,735	24,232	20,216
Expenses	15	(253,207)	(242,724)	(250,226)	(237,136)
Surplus before tax	16	12,323	10,875	13,812	13,511
Income tax charge	17	(2,192)	(2,830)	(2,204)	(2,695)
Surplus		10,131	8,045	11,608	10,816
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange loss on translating the financial statements of HKICPA Beijing		(3)	(16)	-	-
Comprehensive income		10,128	8,029	11,608	10,816

Approved by the Council on 26 September 2017

Chan Mei Bo, Mabel
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2017

	2017						
	Group				Institute		
	General fund HK\$ '000	Capital fund HK\$ '000	Exchange reserve HK\$ '000	Total HK\$ '000	General fund HK\$ '000	Capital fund HK\$ '000	Total HK\$ '000
At the beginning of the reporting period	232,558	179,918	(119)	412,357	206,218	173,908	380,126
Surplus	10,131	-	-	10,131	11,608	-	11,608
Other comprehensive income	-	-	(3)	(3)	-	-	-
Comprehensive income	10,131	-	(3)	10,128	11,608	-	11,608
Capital levy from members and students	-	6,971	-	6,971	-	6,971	6,971
At the end of the reporting period	242,689	186,889	(122)	429,456	217,826	180,879	398,705
	2016						
	Group				Institute		
	General fund HK\$ '000	Capital fund HK\$ '000	Exchange reserve HK\$ '000	Total HK\$ '000	General fund HK\$ '000	Capital fund HK\$ '000	Total HK\$ '000
At the beginning of the reporting period	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
At the end of the reporting period	232,558	179,918	(119)	412,357	206,218	173,908	380,126

Statements of Cash Flows

For the year ended 30 June 2017

	Group		Institute	
	2017 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000	2016 HK\$ '000
Cash flows from operating activities				
Surplus before tax	12,323	10,875	13,812	13,511
Adjustments for:				
Allowance for obsolete inventories	7	160	7	160
Depreciation of fixed assets	13,641	13,809	12,949	13,103
Interest on lease liabilities	95	104	75	69
Impairment of receivables	126	-	126	-
Loss on disposal of fixed assets	-	3	-	3
Obsolete inventories written off	13	17	13	16
Uncollectible amounts written off	2	12	2	12
Operating cash flows before working capital changes	26,207	24,980	26,984	26,874
Decrease in inventories	47	59	44	61
(Increase)/Decrease in receivables	(511)	(764)	(132)	180
Decrease in deposits and prepayments	893	1,028	904	783
Increase in time deposits with original maturities over three months	(4,205)	(222,209)	(6,876)	(216,476)
(Decrease)/Increase in contract liabilities	(325)	6,280	(299)	7,716
Increase/(Decrease) in payables and accruals	2,771	(5,975)	3,036	(5,858)
Cash generated from/(utilized in) operations	24,877	(196,601)	23,661	(186,720)
Net tax paid	(3,687)	(8,017)	(3,682)	(7,871)
Net cash generated from/(utilized in) operating activities	21,190	(204,618)	19,979	(194,591)
Cash flows from investing activities				
Purchase of fixed assets	(3,873)	(1,271)	(3,873)	(1,211)
Prepayments for purchase of fixed assets	(220)	(3,790)	(220)	(3,790)
Net cash utilized in investing activities	(4,093)	(5,061)	(4,093)	(5,001)
Cash flows from financing activities				
Lease payments	(2,690)	(2,160)	(2,033)	(1,480)
Capital levy received	6,971	12,712	6,971	12,712
Net cash generated from financing activities	4,281	10,552	4,938	11,232
Net increase/(decrease) in cash and cash equivalents	21,378	(199,127)	20,824	(188,360)
Cash and cash equivalents at the beginning of the reporting period	35,158	234,340	30,107	218,467
Exchange difference in respect of cash and cash equivalents	5	(55)	-	-
Cash and cash equivalents at the end of the reporting period (note 8)	56,541	35,158	50,931	30,107

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$806,000 and HK\$491,000 respectively by means of leases.

Notes to the Financial Statements

For the year ended 30 June 2017

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 21b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2016 had been early adopted by the Group in prior years. The following new/revised HKFRSs, which are applicable to the Group but are not yet effective for the current year, have been early adopted in prior years:

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”

b. New/revised HKFRSs that were issued during the current year and after 30 June 2017

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Group has early adopted these new/revised HKFRSs, which have no significant impact on the results and the financial positions.

The new HKFRS issued after 30 June 2017 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

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 fulfill 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:

Owned assets

Buildings	20 years
Leasehold improvements	10 years or over the lease term whichever is shorter
Furniture, fixtures and equipment	3 to 10 years

Right-of-use assets

Land	Over the lease term
Buildings	Over the lease term
Furniture, fixtures and equipment	Over the lease term

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

i. Leases

Lessee

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 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.

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. Financial instruments by category

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

	Group		Institute	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets – measured at amortized cost				
Accounts receivable, net of charges for impairment	2,403	2,020	2,258	1,924
Amounts due from subsidiaries	-	-	572	902
Time deposits with original maturities over three months	321,317	317,112	293,635	286,759
Cash and cash equivalents	56,541	35,158	50,931	30,107
	380,261	354,290	347,396	319,692
Financial liabilities – measured at amortized cost				
Payables	8,709	8,422	8,619	8,308
Amounts due to subsidiaries	-	-	50	50
Accruals	11,352	10,903	10,884	10,228
Lease liabilities				
- Current	1,543	2,355	1,012	1,735
- Non-current	1,231	2,229	1,051	1,795
	22,835	23,909	21,616	22,116

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

4. Fixed assets and lease liabilities

2017

	Right-of-use assets			
	Land	Buildings	Furniture, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group	(a)	(b)	(c)	
Net book value at 1 July 2016	136,292	2,274	2,274	140,840
Additions	-	806	-	806
Depreciation	(4,397)	(1,531)	(1,071)	(6,999)
Exchange realignment	-	(21)	-	(21)
Net book value at 30 June 2017	131,895	1,528	1,203	134,626
At cost	184,669	3,883	3,152	191,704
Accumulated depreciation and impairment	(52,774)	(2,355)	(1,949)	(57,078)
	131,895	1,528	1,203	134,626
Institute				
Net book value at 1 July 2016	136,292	1,233	2,274	139,799
Additions	-	491	-	491
Depreciation	(4,397)	(896)	(1,071)	(6,364)
Net book value at 30 June 2017	131,895	828	1,203	133,926
At cost	184,669	2,036	3,152	189,857
Accumulated depreciation and impairment	(52,774)	(1,208)	(1,949)	(55,931)
	131,895	828	1,203	133,926

Owned assets

Buildings	Leasehold improvements	Furniture, fixtures and equipment	Total	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a)				
19,471	3,090	4,227	26,788	167,628
-	-	7,663	7,663	8,469
(2,163)	(746)	(3,733)	(6,642)	(13,641)
-	(1)	-	(1)	(22)
17,308	2,343	8,157	27,808	162,434
43,255	25,245	42,473	110,973	302,677
(25,947)	(22,902)	(34,316)	(83,165)	(140,243)
17,308	2,343	8,157	27,808	162,434
19,471	3,049	4,172	26,692	166,491
-	-	7,663	7,663	8,154
(2,163)	(723)	(3,699)	(6,585)	(12,949)
17,308	2,326	8,136	27,770	161,696
43,255	25,176	42,208	110,639	300,496
(25,947)	(22,850)	(34,072)	(82,869)	(138,800)
17,308	2,326	8,136	27,770	161,696

2016

Right-of-use assets

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

Owned assets

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

Year ended 30 June

	Group		Institute	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	95	104	75	69
Expense relating to short-term leases				
- Lease term of more than one month	154	460	154	460
- Lease term of one month or less (d)	16,385	16,297	16,362	15,899
Expense relating to variable lease payments not included in the measurement of lease liabilities	292	322	292	322
Income from sub-leasing right-of-use assets	176	156	176	156
Total cash outflow for leases				
- Lease liabilities	2,690	2,160	2,033	1,480
- Short-term lease and variable lease payments	16,083	15,317	16,060	14,919
	18,773	17,477	18,093	16,399

At 30 June

	Group		Institute	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maturity profile of lease liabilities:				
- Within 1 year	1,591	2,438	1,049	1,801
- Between 1 to 2 years	739	1,236	629	797
- Between 3 to 5 years	521	1,055	447	1,055
Lease liabilities (undiscounted)	2,851	4,729	2,125	3,653
Discount amount	(77)	(145)	(62)	(123)
Lease liabilities (discounted)	2,774	4,584	2,063	3,530
Current	1,543	2,355	1,012	1,735
Non-current	1,231	2,229	1,051	1,795
Lease liabilities (discounted)	2,774	4,584	2,063	3,530

Movements of the carrying amount of lease liabilities:

Year ended 30 June

	Group		Institute	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the reporting period	4,584	2,042	3,530	244
Non-cash changes:				
- Interest expense	95	104	75	69
- New leases	806	4,697	491	4,697
- Exchange differences	(21)	(99)	-	-
Cash payments	(2,690)	(2,160)	(2,033)	(1,480)
At the end of the reporting period	2,774	4,584	2,063	3,530

- 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 terms range from two to three years with no extension or termination options and all the lease payments are fixed.
- c. 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 or 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. The Group entered into lease agreements in respect of venues for examination or event in Hong Kong and Mainland China. The lease terms were mainly on daily basis with no extension or termination options.

5. Interests in subsidiaries

	Institute	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
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\$19,130,000 (2016: HK\$20,780,000) represents the accumulated surplus from the operation and the fund can be used to fulfill 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 11.

The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund have accumulated funds in total of HK\$5,133,000 (2016: HK\$5,129,000), 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\$33,292,000 (2016: HK\$35,404,000) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

6. Deferred tax assets and liabilities

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

	Group			Institute		
	Accelerated tax depreciation	Other temporary differences	Total	Accelerated tax depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	(1,180)	1,884	704	(1,180)	1,884	704
Credited/(Charged) to surplus (note 17)	277	(25)	252	277	(25)	252
At 30 June 2016 and 1 July 2016	(903)	1,859	956	(903)	1,859	956
(Charged)/Credited to surplus (note 17)	(898)	134	(764)	(898)	134	(764)
At 30 June 2017	(1,801)	1,993	192	(1,801)	1,993	192

- 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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Accelerated tax depreciation	(8)	(25)	-	-
Other temporary differences	1,765	1,657	-	-
Tax losses	15,492	13,702	-	-
	17,249	15,334	-	-

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

7. Receivables

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Accounts receivable	2,791	2,538	2,646	2,405
Amounts due from subsidiaries	-	-	572	902
	<u>2,791</u>	<u>2,538</u>	<u>3,218</u>	<u>3,307</u>
Charges for impairment (a)	(388)	(518)	(388)	(481)
	<u>2,403</u>	<u>2,020</u>	<u>2,830</u>	<u>2,826</u>

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
At the beginning of the reporting period	518	604	481	567
Recovery of impaired receivables (note 14)	(187)	(68)	(187)	(68)
Bad debts written off for the year	(69)	(18)	(32)	(18)
Impairment charged during the year	126	-	126	-
At the end of the reporting period	<u>388</u>	<u>518</u>	<u>388</u>	<u>481</u>

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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Not past due	1,700	1,056	1,556	959
Within 30 days past due	574	650	1,145	1,553
31 to 90 days past due	60	60	60	60
91 to 180 days past due	-	-	-	-
181 to 270 days past due	-	169	-	169
Over 270 days past due	69	85	69	85
	703	964	1,274	1,867
	2,403	2,020	2,830	2,826

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.

8. Cash and cash equivalents

	Group		Institute	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank balances				
- Time deposits with original maturities within three months	27,251	7,139	27,251	6,213
- Savings accounts	5,203	6,254	3,520	4,373
- Current accounts	23,994	21,649	20,071	19,434
Cash on hand	93	116	89	87
	56,541	35,158	50,931	30,107

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for three-month periods depending on the immediate cash requirement of the Group and the Institute and earn interest at the prevailing short-term deposit rates.

9. 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. Besides, there are no significant costs to obtain or fulfill 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:

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Subscription fees received in advance	66,208	66,322	65,509	65,557
Other fees received in advance	14,377	14,588	14,337	14,588
	<u>80,585</u>	<u>80,910</u>	<u>79,846</u>	<u>80,145</u>

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 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 year:

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	(80,410)	(74,188)	(79,645)	(71,987)
Increases due to cash received during the year	241,983	241,145	239,507	238,148
Decrease due to the recognition of revenue for cash received during the year	<u>(161,898)</u>	<u>(160,676)</u>	<u>(160,161)</u>	<u>(158,444)</u>

10. Payables and accruals

	Group		Institute	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Payables	8,709	8,422	8,619	8,308
Amounts due to subsidiaries	-	-	50	50
Accruals	11,352	10,903	10,884	10,228
Financial liabilities	20,061	19,325	19,553	18,586
Employee benefits obligations	17,697	15,654	16,653	14,584
	<u>37,758</u>	<u>34,979</u>	<u>36,206</u>	<u>33,170</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:

	Group		Institute	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	13,527	13,261	13,059	12,561
Between 31 and 90 days	5,167	5,226	5,139	5,209
Between 91 and 180 days	12	22	-	-
Between 181 and 270 days	1,251	715	1,251	715
Over 270 days	104	101	104	101
	<u>20,061</u>	<u>19,325</u>	<u>19,553</u>	<u>18,586</u>

11. 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 fulfill the objects of the Institute as set out in section 7 of the Professional Accountants Ordinance.

The Group has two capital funds:

- The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy are decided annually by the Council. In 2016, the Council decided to reduce the capital levy of members by HK\$150 from 2017 onwards.
- 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.

12. Subscriptions and fees

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Annual subscription fees				
Members (a)	81,304	80,097	81,304	80,097
Practising certificates	23,493	22,854	23,493	22,854
Students	8,401	8,333	7,546	7,426
Firms	10,913	10,658	10,913	10,658
Corporate practices	6,378	6,158	6,378	6,158
Others	1,124	1,101	458	382
First registration fees				
Members	5,056	5,332	5,056	5,332
Practising certificates	700	721	700	721
Students	1,858	1,749	1,826	1,584
Firms	182	140	182	140
Corporate practices	226	158	226	158
Others	85	96	85	89
Other fees				
Advancement to fellowship	248	214	248	214
Assessment for overseas students	1,204	972	1,204	972
	141,172	138,583	139,619	136,785

a. Members' annual subscription fees

	Group and Institute	
	2017 HK\$'000	2016 HK\$'000
Annual subscription fees	86,551	83,860
Less: One-off subscription reduction	(5,247)	(3,763)
	81,304	80,097

In October 2016, the Council approved a one-off subscription reduction of HK\$180 to each current member (prorated for members enjoying concessionary rates) who renews their membership for the calendar year 2017. According to HKFRS 15, the reduction is recognized at the later of (a) when the reduction is announced to the members and (b) when the revenue for the transfer of the related goods or services to the members is recognized. As a result, the reduction in current year represents the impact related to the periods from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 June 2017. The remaining balance of HK\$1,749,000 related to the period from 1 July 2017 to 31 December 2017 will be recognized in the year ending 30 June 2018.

The reduction for the year ended 30 June 2016 represented impact of the rebate approved in June 2015 relating to the period from 1 July 2015 to 31 December 2015 for 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.

13. Other revenue

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Income from examinations	81,052	76,966	80,134	74,362
Income from seminars and courses	18,559	17,392	18,536	17,368
Income from member and student activities	1,467	1,841	1,467	1,841
Accreditation income	58	82	50	75
	101,136	96,281	100,187	93,646

14. Other income

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
FRC special levy (a)	7,706	7,340	7,706	7,340
Events sponsorship	1,798	2,880	1,798	2,880
Disciplinary fines and costs recovery	2,133	2,148	2,133	2,148
Interest income	3,515	2,357	3,245	2,119
Sales of goods	4,739	1,074	4,638	943
Income from advertisements placed in the journals	254	295	254	295
Litigation costs recovery (b)	89	251	89	251
Income from hardcopy surcharge	1,007	901	1,007	659
Commission from professional indemnity insurance master policy	1,169	945	1,169	945
Commission from affinity credit card programme	150	159	150	159
Royalty income	28	25	8	-
Donations	30	34	13	18
Income from sub-leasing right-of-use assets	176	156	176	156
Recovery of impaired receivables (note 7a)	187	68	187	68
Reversal of allowance for obsolete inventories	22	-	22	-
Service fees from HKIAAT	-	-	1,440	2,167
Miscellaneous	219	102	197	68
	23,222	18,735	24,232	20,216

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 funding of the FRC. The Institute's share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$7,706,000 (2016: HK\$7,340,000) from such member practices and contributed HK\$7,706,000 (2016: HK\$7,340,000) to the FRC (note 16).

b. Litigation costs recovery

	Group and Institute	
	2017	2016
	HK\$'000	HK\$'000
Litigation costs recovery for:		
Appeal against a judicial review (i)	89	220
Appeals against disciplinary orders (ii)	-	31
	89	251

- (i) During the current year, the Institute recovered HK\$89,000 (2016: HK\$220,000) from an applicant who applied for judicial review on the handling procedure of a complaint against him.
- (ii) During the year ended 30 June 2016, the Institute received HK\$31,000 from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against disciplinary orders.

15. Income and expenses by activity

An analysis of the Group's and the Institute's income and expenses by main activities is set out below:

2017	Group			Institute		
	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus before tax <i>HK\$'000</i>	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Surplus before tax <i>HK\$'000</i>
Members						
Annual subscription fees	121,026	-	121,026	121,026	-	121,026
Admission and registration	8,076	(6,057)	2,019	8,076	(6,057)	2,019
Standards and regulation	10,125	(55,219)	(45,094)	10,125	(55,219)	(45,094)
Professional development and specialization	22,490	(27,467)	(4,977)	22,490	(27,467)	(4,977)
Interest groups and networking activities	2,108	(10,785)	(8,677)	2,108	(10,932)	(8,824)
	<u>163,825</u>	<u>(99,528)</u>	<u>64,297</u>	<u>163,825</u>	<u>(99,675)</u>	<u>64,150</u>
Qualification	<u>92,662</u>	<u>(60,706)</u>	<u>31,956</u>	<u>92,662</u>	<u>(60,804)</u>	<u>31,858</u>
Corporate functions						
Constitution, governance and corporate activities	1,526	(6,119)	(4,593)	1,526	(6,119)	(4,593)
Branding and communication	2	(5,630)	(5,628)	2	(5,630)	(5,628)
Publications	271	(6,151)	(5,880)	271	(6,151)	(5,880)
Advocacy	-	(1,271)	(1,271)	-	(1,271)	(1,271)
Legal	-	(4,032)	(4,032)	-	(4,032)	(4,032)
China and international relations	-	(5,732)	(5,732)	-	(5,732)	(5,732)
General administration, finance and operations	4,236	(39,466)	(35,230)	5,752	(40,945)	(35,193)
Depreciation and building related expenses	-	(19,867)	(19,867)	-	(19,867)	(19,867)
	<u>6,035</u>	<u>(88,268)</u>	<u>(82,233)</u>	<u>7,551</u>	<u>(89,747)</u>	<u>(82,196)</u>
HKIAAT Group	<u>2,953</u>	<u>(4,428)</u>	<u>(1,475)</u>	<u>-</u>	<u>-</u>	<u>-</u>
HKICPA Charitable Fund	<u>15</u>	<u>(243)</u>	<u>(228)</u>	<u>-</u>	<u>-</u>	<u>-</u>
HKICPA Trust Fund	<u>40</u>	<u>(34)</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>265,530</u>	<u>(253,207)</u>	<u>12,323</u>	<u>264,038</u>	<u>(250,226)</u>	<u>13,812</u>

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
Members						
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>
Qualification	<u>85,828</u>	<u>(57,201)</u>	<u>28,627</u>	<u>85,828</u>	<u>(57,321)</u>	<u>28,507</u>
Corporate functions						
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>
HKIAAT Group	<u>5,069</u>	<u>(7,893)</u>	<u>(2,824)</u>	-	-	-
HKICPA Charitable Fund	<u>15</u>	<u>(103)</u>	<u>(88)</u>	-	-	-
HKICPA Trust Fund	<u>35</u>	<u>(50)</u>	<u>(15)</u>	-	-	-
Total	<u>253,599</u>	<u>(242,724)</u>	<u>10,875</u>	<u>250,647</u>	<u>(237,136)</u>	<u>13,511</u>

16. Surplus before tax

	Group		Institute	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	138,671	130,750	134,189	124,954
Depreciation of fixed assets	13,641	13,809	12,949	13,103
Contribution to FRC (note 14a)	7,706	7,340	7,706	7,340
Auditor's remuneration	437	416	342	323
Allowance for obsolete inventories	7	160	7	160
Cost of goods sold	799	326	798	323
Donations (a)	14	23	64	73
Exchange (gain)/loss	(75)	1,369	(83)	1,357
Impairment of receivables (note 7a)	126	-	126	-
Interest on lease liabilities	95	104	75	69
Loss on disposal of fixed assets	-	3	-	3
Obsolete inventories written off	13	17	13	16
Recovery of impaired receivables (note 7a)	(187)	(68)	(187)	(68)
Recovery of obsolete inventories written off	(22)	(1)	(22)	(1)
Uncollectible amounts written off	2	12	2	12

a. During the current year, the Institute donated HK\$50,000 (2016: HK\$50,000) to The HKICPA Charitable Fund.

17. Income tax charge

	Group		Institute	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
<i>Hong Kong Profits Tax:</i>				
Current year	1,717	2,967	1,717	2,967
Overprovision in prior year	(277)	(20)	(277)	(20)
	1,440	2,947	1,440	2,947
<i>Mainland China income tax:</i>				
Current year	8	143	-	-
Overprovision in prior year	(20)	(8)	-	-
Total current tax charge	1,428	3,082	1,440	2,947
Deferred tax				
Origination and reversal of temporary differences (note 6a)	764	(252)	764	(252)
Total tax charge	2,192	2,830	2,204	2,695

Hong Kong Profits Tax has been provided at 16.5% (2016: 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% (2016: 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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus before tax	12,323	10,875	13,812	13,511
Tax at the applicable rate of 16.5% (2016: 16.5%)	2,033	1,794	2,279	2,229
Tax effect of different tax rate for a subsidiary in Mainland China	17	21	-	-
Tax effect of non-deductible expenses	791	1,386	738	1,327
Tax effect of non-assessable income	(661)	(1,047)	(536)	(841)
Tax effect of unrecognized tax losses	295	495	-	-
Tax effect of temporary differences not recognized	26	181	-	-
Overprovision in prior year	(297)	(28)	(277)	(20)
Others	(12)	28	-	-
Total tax charge	2,192	2,830	2,204	2,695

18. Employee benefits

	Group		Institute	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	130,458	122,700	126,259	117,359
Provident fund contributions	8,213	8,050	7,930	7,595
	138,671	130,750	134,189	124,954
<u>Number of staff</u>				
At the beginning of the reporting period	205	203	191	189
At the end of the reporting period	208	205	198	191

19. Key management personnel remuneration

	Group and Institute	
	2017	2016
	HK\$'000	HK\$'000
Chief Executive and Registrar		
Salaries and allowances (a)	4,439	4,287
Accruals for/(utilization of) annual leave entitlements, net	144	(99)
Performance bonus	561	640
Retirement benefits	18	18
	5,162	4,846

a. The amount includes accruals for gratuity and other employee benefits.

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

20. Related party transactions

a. Members of the Institute's Council

Members of the Council do not receive any fees or other remuneration for serving as a member of the Council. Other than the information disclosed elsewhere in the financial statements, the Group and the Institute entered into the following material transactions with Council members or parties related to Council members:

- (i) During the current year, the Institute incurred expenses of HK\$321,000 (2016: HK\$325,000) 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" was an amount of HK\$14,000 due to UIC. The amount outstanding was unsecured, interest-free and has been settled during the current year.
- (ii) During the current year, the Institute incurred expenses of HK\$669,000 (2016: HK\$798,000) for rental of training rooms and courses provided by Hong Kong Baptist University, of which a Council member of the Institute is a council member.
- (iii) During the current year, the Institute incurred expenses of HK\$229,000 mainly for service fee of technical training to the Institute's staff and update of course materials (2016: HK\$729,000 for expert witness and other legal services on disciplinary cases and re-write of course materials) provided by Pricewaterhouse Coopers Limited ("PwC"), of which a Council member of the Institute is a director. At 30 June 2016, included in "Payables and accruals" was an amount of HK\$288,000 due to PwC. The amount outstanding was unsecured, interest-free and has been settled during the current year.
- (iv) During the current year, the Institute incurred expenses of HK\$345,000 (2016: HK\$1,655,000) mainly for the development of new CPA qualification framework by Deloitte Touche Tohmatsu ("DTT"), of which a Council member of the Institute is a partner. At 30 June 2017, included in "Payables and accruals" is an amount of HK\$550,000 (2016: HK\$205,000) due to DTT. The amount outstanding is unsecured and interest-free. In addition, the Institute entered into a consulting contract with Deloitte Advisory (Hong Kong) Limited, a group company of DTT, on 8 June 2017 for developing a Digital Strategic Plan, total commitment for this contract is HK\$1,980,000.
- (v) During the current year, the Institute incurred expenses of HK\$180,000 (2016: HK\$126,000) mainly for the update of China tax course materials provided by Ernst & Young, of which a Council member of the Institute is a partner.

- (vi) During the current year, the Institute incurred expenses of HK\$8,172,000 (2016: HK\$7,088,000) for rental of venue and administration fee for examinations provided by Hong Kong Examinations and Assessment Authority (“HKEAA”), of which a Council member of the Institute is a council member. At 30 June 2017, included in “Payables and accruals” is an amount of HK\$3,450,000 (2016: HK\$3,562,000) due to HKEAA. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period. In addition, the Institute entered into several service contracts with HKEAA on 7 April 2017 for examinations. At 30 June 2017, included in “Prepayment” is an amount of HK\$450,000 (2016: HK\$104,000) paid to HKEAA for these contracts and total outstanding commitment is HK\$1,538,000.

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\$3,290,000 (2016: HK\$3,463,000) to HKICPA Beijing for the promotion of the Institute’s qualification programme and the provision of services to members in Mainland China.
- (ii) The HKICPA Charitable Fund
During the current year, the Institute donated HK\$50,000 (2016: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2017, included in “Payables and accruals” of the Institute is an amount of HK\$50,000 (2016: HK\$50,000) due to The HKICPA Charitable Fund.
- (iii) HKIAAT
During the current year, the Institute charged service fees of HK\$1,440,000 (2016: HK\$2,167,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$2,441,000 (2016: HK\$3,705,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2017, included in “Receivables” of the Institute is an amount of HK\$572,000 (2016: HK\$832,000) due from HKIAAT arising from the services provided.
- (iv) The HKIAAT Trust Fund
At 30 June 2016, included in “Receivables” of the Institute was an amount of HK\$70,000 due from The HKIAAT Trust Fund.

21. 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	
	2017	2016	2017	2016
	% p.a.	% p.a.	% p.a.	% p.a.
Time deposits	1.02%	0.72%	1.11%	0.69%
Savings accounts	0.01%	0.06%	0.01%	0.07%

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits				
- with original maturities within three months	27,251	7,139	27,251	6,213
- with original maturities over three months	321,317	317,112	293,635	286,759
	<u>348,568</u>	<u>324,251</u>	<u>320,886</u>	<u>292,972</u>

Impact of interest rate deviation

Change in interest rate by 0.25% (2016: 0.25%)

- Change in surplus before tax and funds and reserve	<u>871</u>	<u>811</u>	<u>802</u>	<u>732</u>
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Time deposits with original maturities over three months carry interest at market rates from 0.45% to 1.68% (2016: 0.28% to 1.4%) 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
- significant changes in the expected performance and behavior 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 7 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, approximately 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\$835,000 and HK\$42,000 (2016: HK\$1,178,000 and HK\$550,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$793,000 (2016: HK\$628,000) 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.

22. Capital management

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

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

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

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

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

23. Capital commitments

	Group		Institute	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Capital expenditure in respect of the acquisition of computer equipment contracted but not provided for in the financial statements	11,351	1,386	11,351	1,386

Independent Auditor's Report

To the Trustees of The HKICPA Trust Fund

Opinion

We have audited the financial statements of The HKICPA Trust Fund (the "Trust Fund") set out on pages 85 to 91, which comprise the statement of financial position at 30 June 2017, 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 notes to 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 Trust Fund at 30 June 2017, and of its financial performance and 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 (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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 Trust Fund 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.

Responsibilities of Trustees 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 HKFRSs issued by the HKICPA, 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.

In preparing the financial statements, the Trustees are responsible for assessing the Trust Fund'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 Trustees either intend to liquidate the Trust Fund or to cease operations, or have no realistic alternative but to do so.

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. 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.

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 Trust Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Trust Fund'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 Trust Fund 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 Trustees 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.

Mazars CPA Limited

Certified Public Accountants

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

26 September 2017

The engagement director on the audit resulting in this independent auditor's report is:

Chan Chi Ming Andy

Practising Certificate number: P05132

Statement of Financial Position

At 30 June 2017			
	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current assets			
Other receivables	4	29,291	15,110
Time deposits with original maturities over three months		3,750,482	3,778,282
Cash and cash equivalents	5	<u>115,738</u>	<u>95,927</u>
Net assets		<u>3,895,511</u>	<u>3,889,319</u>
Accumulated funds		<u>3,895,511</u>	<u>3,889,319</u>

Approved by the Trustees on 26 September 2017

Cheung Wing Han, Ivy
Trustee

Eric Tong
Trustee

Chan Mei Bo, Mabel
Trustee

Wong Hong Yuen
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2017			
	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Revenue			
Donations	6	2,050	200
Interest income		<u>38,407</u>	<u>34,995</u>
		<u>40,457</u>	<u>35,195</u>
Expenses			
Grants to members	7	(32,015)	(47,939)
Bank charges		<u>(2,250)</u>	<u>(1,650)</u>
		<u>(34,265)</u>	<u>(49,589)</u>
Surplus/(Deficit)		6,192	(14,394)
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income		<u>6,192</u>	<u>(14,394)</u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2017

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
<u>Accumulated funds</u>		
At the beginning of the reporting period	<u>3,889,319</u>	<u>3,903,713</u>
Surplus/(Deficit)	6,192	(14,394)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>6,192</u>	<u>(14,394)</u>
At the end of the reporting period	<u>3,895,511</u>	<u>3,889,319</u>

Statement of Cash Flows

For the year ended 30 June 2017

	2017	2016
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities		
Surplus/(Deficit)	6,192	(14,394)
Increase in other receivables	(14,181)	(2,132)
Decrease in amount due from the Institute	-	3,400
Decrease in time deposits with original maturities over three months	<u>27,800</u>	<u>58,581</u>
Net cash generated from operating activities and net increase in cash and cash equivalents	19,811	45,455
Cash and cash equivalents at the beginning of the reporting period	<u>95,927</u>	<u>50,472</u>
Cash and cash equivalents at the end of the reporting period	5 <u>115,738</u>	<u>95,927</u>

Notes to the Financial Statements

For the year ended 30 June 2017

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 8b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2016 had been early adopted by the Trust Fund in prior years. The following new HKFRS, which is applicable to the Trust Fund but is not yet effective for the current year, has been early adopted in prior year:

HKFRS 9 (2014) “Financial Instruments”

b. New/revised HKFRSs that were issued during the current year and after 30 June 2017

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Trust Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The new HKFRS issued after 30 June 2017 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, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Trust Fund recognizes 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 fulfill 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:

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Other receivables	29,291	15,110
Time deposits with original maturities over three months	3,750,482	3,778,282
Cash and cash equivalents	115,738	95,927
	<u>3,895,511</u>	<u>3,889,319</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

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Short term loan to a member of the Institute	-	37,170
Interest receivable	29,291	15,110
	29,291	52,280
Impairment charge on loan to a member of the Institute	-	(37,170)
	<u>29,291</u>	<u>15,110</u>

Since 30 June 2008, this member of the Institute had not made the agreed monthly repayments to the Trust Fund and a full provision had been made. Continuing efforts are being made to recover the loan from the member, but nil amount has been recovered since then. In January 2017, the Trustees approved to write off the outstanding loan. The Trust Fund does not hold any collateral or other credit enhancements over this balance.

5. Cash and cash equivalents

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Savings account	27,941	26,790
- Current account	<u>87,797</u>	<u>69,137</u>
	<u>115,738</u>	<u>95,927</u>

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

6. Donations

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Donation from other parties	<u>2,050</u>	<u>200</u>

7. Grants to members

During the current year, grants totaling HK\$32,015 (2016: HK\$47,939) were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

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

a. Interest rate risk

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

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

	2017	2016
	<i>%p.a.</i>	<i>%p.a.</i>
Time deposits	1.01%	0.95%
Saving 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 surplus and accumulated funds.

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Time deposits		
- with original maturities over three months	<u>3,750,482</u>	<u>3,778,282</u>
 Impact of interest rate deviation		
Change in interest rate by 0.25% (2016: 0.25%)		
- Change in surplus/(deficit) and accumulated funds	<u>9,376</u>	<u>9,446</u>

Time deposits with original maturities over three months carry interest at market rates from 0.75% to 1.15% (2016: 0.75% 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.

9. Capital management

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

Independent Auditor's Report

To the Trustees of The HKICPA Charitable Fund

Opinion

We have audited the financial statements of The HKICPA Charitable Fund (the "Charitable Fund") set out on pages 94 to 99, which comprise the statement of financial position at 30 June 2017, 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 notes to 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 Charitable Fund at 30 June 2017, and of its financial performance and 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 (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") 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 Charitable Fund 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.

Responsibilities of Trustees 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 HKFRSs issued by the HKICPA, 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.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Fund'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 Trustees either intend to liquidate the Charitable Fund or to cease operations, or have no realistic alternative but to do so.

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. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HSAs 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 Charitable Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Charitable Fund'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 Charitable Fund 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 Trustees 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.

Mazars CPA Limited

Certified Public Accountants

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

26 September 2017

The engagement director on the audit resulting in this independent auditor's report is:

Chan Chi Ming Andy

Practising Certificate number: P05132

Statement of Financial Position

At 30 June 2017

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Current assets			
Amount due from the Institute	4	50,000	50,000
Cash and cash equivalents	5	<u>983,139</u>	<u>1,160,131</u>
Net assets		<u>1,033,139</u>	<u>1,210,131</u>
 Accumulated funds		 <u>1,033,139</u>	 <u>1,210,131</u>

Approved by the Trustees on 26 September 2017

Chan Mei Bo, Mabel
Trustee

Cheung Wing Han, Ivy
Trustee

Ding Wai Chuen, Raphael
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2017

	<i>Note</i>	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Revenue			
Donations	6	64,880	65,530
Interest income		<u>38</u>	<u>66</u>
		64,918	65,596
 Expenses			
Sponsorship		(240,300)	(102,120)
Bank charges		<u>(1,610)</u>	<u>(1,070)</u>
		<u>(241,910)</u>	<u>(103,190)</u>
 Deficit		 (176,992)	 (37,594)
 Other comprehensive income		 <u>-</u>	 <u>-</u>
 Comprehensive income		 <u>(176,992)</u>	 <u>(37,594)</u>

Statement of Changes in Accumulated Funds

For the year ended 30 June 2017

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
<u>Accumulated funds</u>		
At the beginning of the reporting period	<u>1,210,131</u>	<u>1,247,725</u>
Deficit	(176,992)	(37,594)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>(176,992)</u>	<u>(37,594)</u>
At the end of the reporting period	<u>1,033,139</u>	<u>1,210,131</u>

Statement of Cash Flows

For the year ended 30 June 2017

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
	<i>Note</i>	
Cash flows from operating activities		
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents	(176,992)	(37,594)
Cash and cash equivalents at the beginning of the reporting period	<u>1,160,131</u>	<u>1,197,725</u>
Cash and cash equivalents at the end of the reporting period	5 <u>983,139</u>	<u>1,160,131</u>

Notes to the Financial Statements

For the year ended 30 June 2017

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 2016 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2016 had been early adopted by the Charitable Fund in prior years. The following new HKFRS, which is applicable to the Charitable Fund but is not yet effective for the current year, has been early adopted in prior year:

HKFRS 9 (2014) “Financial Instruments”

b. New/revised HKFRSs that were issued during the current year and after 30 June 2017

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Charitable Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The new HKFRS issued after 30 June 2017 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

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

3. Financial instruments by category

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

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Amount due from the Institute	50,000	50,000
Cash and cash equivalents	<u>983,139</u>	<u>1,160,131</u>
	<u>1,033,139</u>	<u>1,210,131</u>

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

4. Amount due from the Institute

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

5. Cash and cash equivalents

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Savings accounts	892,783	1,090,495
- Current accounts	<u>90,356</u>	<u>69,636</u>
	<u>983,139</u>	<u>1,160,131</u>

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

6. Donations

	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Donation from the Institute	50,000	50,000
Donation from other parties	<u>14,880</u>	<u>15,530</u>
	<u>64,880</u>	<u>65,530</u>

7. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2016: HK\$50,000) from the Institute. At 30 June 2017, the amount due from the Institute is HK\$50,000 (2016: 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.



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