

ACCOUNTING PLUS  
PROFESSION OF POSSIBILITIES  
ANNUAL GENERAL MEETING 2018



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



## **ON THE COVER**

This year's annual report focuses on the future and Accounting Plus. In the age of Accounting Plus, the career options open to CPAs are wide and varied, and CPAs are ready and able to take on the challenges and opportunities of the future. The full annual report will include photo essays of how the CPA qualification allows our members to progress in areas beyond auditing and assurance and financial reporting, and are adding value to business across various industries. The cover artwork reflects the accounting profession as forward thinking and prepared for disruptive new technologies. Accounting Plus embraces innovations and has the relevant skills and insights to help organizations get to the next level in an ever-competitive business environment.

# MESSAGE FROM **THE PRESIDENT**

## **Dear members,**

As we approach the annual general meeting after another busy and productive year, it is an opportune time to provide an update on the activities of the Institute and what we have achieved in delivering our strategy to you, as members, the wider profession, and Hong Kong.

This year was the final year of the Sixth Long Range Plan. Agreed in 2013, the plan cemented the position of the Institute as a world class, top quality professional body, which serves the business community and public interest of Hong Kong.

The Seventh Long Range Plan is being assessed and finalized by Council and responds to three challenges the profession faces over the next few years. Firstly, the impact on the profession of changes in technology and the business and regulatory environment; secondly, attracting and developing the best talent; and thirdly, maintaining the unique position of the Institute. The Seventh Long Range Plan seeks to make accountancy a preferred career choice for top talent. It is about creating a dynamic, relevant, and up-to-date profession and securing recognition of the Institute as a premium body both in Hong Kong and internationally.

## **Accounting Plus**

Amidst the fast changing business world, much of the work of the Institute over the year (as it will be for the years ahead) has been preparing the CPAs of the future. The concept of Accounting Plus represents a profession which is rich-in-variety and specializations. Accounting Plus signifies a continuously learning and improving profession, utilizing the newest technologies to answer increasingly complex questions raised by businesses and society.

Accounting Plus is the key to our future, ensuring the profession remains relevant by strengthening CPAs' ability to embrace new technologies; analyse increasingly

complex datasets; provide timely and insightful business advice; investigate and assess businesses; scenarios and investment proposals; and develop new skills and services to help our clients navigate business and technology disruption.

## **Council activities and the EGM**

This year has seen significant changes in the governance of the Institute. In January, Council agreed to release abridged versions of its meeting minutes. This new level of transparency allows members to gain a deeper understanding of the activities of Council and how the Institute supports the profession.

At the extraordinary general meeting held in March, members in attendance and by proxy passed three resolutions. The resolutions have been important inputs into Council's actions over the year, and will likely remain significant in future decision-making regarding the Institute's support for the membership.

Based on the results of a holistic review of the fee structure which started in October 2017, Council decided to introduce a membership fee waiver for 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 is for the full fee (i.e. HK\$2,300), and a review is planned before the renewal period for 2020 to determine the appropriate level of the waiver, ensuring sufficient reserves are maintained for expected operating expenses.

In addition, fees for most CPD seminars were reduced by 20% from 1 July 2018, non-practising certificate holder partner's annual registration fees halved, and the eligible age for waiver of membership fee lowered to 65.

Council also discussed various proposals to poll members for the election of President and Vice Presidents. To further investigate the proposals, Council set up a taskforce to consider several options with the objective

of holding a poll of all members under the current Council election framework. The taskforce is examining practicality and seeking legal advice. Given the potential bearing on the Professional Accountants Ordinance, amendment of the legislation is being considered in parallel.

The previous Chief Executive and Registrar left the Institute at the end of the financial year, upon the expiry of his contract. Council thanks Raphael for his dedicated service to the Institute over his six years in charge. Since then Jonathan Ng, Executive Director, Education and Training, has been Acting Registrar. To oversee the replacement, Council set up a search committee, which engaged a recruitment consultant to undertake a global search for suitable candidates.

### Annual membership survey

Moving on to some of the highlights of the Institute's activities over the year. This year, the annual membership survey was conducted alongside the first studentship survey, to solicit the views of the whole profession on three topics, employment prospects, earning power, and CPA qualification and development. Regarding the employment market and economic outlook over an 18-month timeframe, the results were the most positive since surveying began on the topic in 2016 for members, while the Institute's Qualification Programme (QP) received good reviews from those who had undertaken it and was reported as adequate for meeting their job requirements.

The surveys also asked respondents about the support their employer provides for continuous professional development activities. The Institute continues to work with employers to ensure that it is offering courses that help members in all fields, and increase the number of courses made available through its digital learning platform which are available to members at any time.

### Advocating for improved corporate governance

After consistent efforts over almost two decades, the Institute's Best Corporate Governance Awards is firmly established as one of the most respected in the city. At the 18th awards presentation luncheon last year, featuring guest of honour Secretary for Financial Services and the Treasury, James

H Lau Jr, 20 awards, special mentions and commendations were given out – including new awards for sustainability and social responsibility reporting. The support given to the awards by both the government and business community is instrumental to their success and improving corporate governance in Hong Kong.

Throughout the year, the Institute hosted a number of seminars to further promote good corporate governance through inviting award winners to share their experiences and practices.

Another key development advocating for improvements in the corporate governance regime this year, was the release of the Institute's substantial *Report on Improving Corporate Governance in Hong Kong*, covering the findings of an independent comparative study of corporate governance in Hong Kong, the United States, the United Kingdom, Mainland China and Singapore. The report's recommendations were widely covered by the media and strengthened the thought leadership of the Institute in a topic very dear to our core values.

### Legislative and regulatory developments

The Institute regularly interacts with the government regarding the development of a number of new legislative and regulatory regimes, making the views of the profession known throughout the legislative process. Two of the biggest developments this year include the Financial Reporting Council (Amendment) Bill, and the anti-money laundering and counter-terrorist financing regime.

#### *Audit regulatory reform*

In January, the government gazetted the Financial Reporting Council (Amendment) Bill 2018, further outlining its legislative approach to the regulation of auditors of listed entities. Since then the Institute has engaged with the Legislative Council Bills Committee on a number of occasions, in person and in writing, to make the views of the profession known, and ensure that the legislation works for the profession and for Hong Kong. To accompany our official engagements, a series of opinion pieces were published in newspapers to underpin the Institute's position on a number of key points of contention.

**“The Institute hosted a number of seminars to further promote good corporate governance through inviting award winners to share their experiences and practices.”**

### *Anti-money laundering*

For many practitioners this year the introduction of new anti-money laundering and counter-terrorist financing regime led to significant changes in the way they do business. The new regime brings Hong Kong into line with the Financial Action Task Force on Money Laundering (FATF) Recommendations, the internationally endorsed global standards against money laundering and terrorist financing.

To support members in complying with the new regime, the Institute produced a guidebook and commissioned the production of the *Anti-Money Laundering Procedures Manual for Accountants* to provide practical reference on procedures and forms. The Institute also supports members through specially-arranged discounts on anti-money laundering screening solutions to enable practitioners to carry out the due diligence required under the new regime. Finally, the Institute organized a series of seminars and workshops to walk through the regime and explain to members the new requirements placed on them.

A task group of members of the FATF is due to visit Hong Kong later in the year to ensure compliance with the recommendations and we look forward to meeting them to discuss the on-going efforts and challenges of implementation.

### **Shaping international standards**

A vital role of the Institute is the shaping of international standards to work for Hong Kong. The Institute's early involvement at the development stage ensures that the views and concerns of our members and other local stakeholders are effectively expressed and considered on the global stage.

Over the year we collaborated with international standard setting bodies, such as the International Financial Reporting Standards (IFRS) Foundation, the International Auditing and Assurance Standards Board, and the International Ethics Standards Board for Accountants, and other national standard-setters. One highlight this year was the Joint Institute-IFRS Foundation stakeholder dinner we hosted in January. The dinner featured a panel debate on the theme of Hong Kong and IFRS Standards: Past, Present and Future, with business leaders from Hong Kong and the Chair of the International Accounting

Standards Board. A recording of the panel is available on the Institute's YouTube channel.

Not only are we interested in shaping standards, but once implementation begins we help practitioners and the wider investor and analyst communities to understand the new standards. This year we held an education session, specifically targeted at the investor community, on two new standards, Hong Kong Financial Reporting Standard (HKFRS) 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*, both effective for reporting periods from 1 January 2018, to run investors and analysts through changes to financial reports as a consequence of the new standards and how they may affect their work.

HKFRS 9 was developed to make financial reporting for financial instruments more relevant and understandable. HKFRS 9 brings together the classification and measurement, impairment and hedge accounting phases. Also introduced this year was HKFRS 15, which establishes a single, comprehensive framework for revenue recognition. The Institute works with practitioners, users of financial statements and other stakeholders to ensure the new standards are effective, and seek feedbacks on the new standards.

A number of accounting, auditing and ethics standards were also revised this year and we organized consultations with stakeholders on improving audit quality, company reporting, and the effectiveness of the standards.

### **Exploring Greater Bay Area and Belt and Road opportunities**

Looking beyond Hong Kong, the strength of our ties with the profession and government in the Mainland are vital for the long-term success of the profession. As the Greater Bay Area transforms the region we live into become one of the world's leading bay areas, strong relationships with our peers in Guangzhou and Shenzhen are essential.

The founding of the Hong Kong and Guangdong CPA Practices Alliance in December 2017 demonstrates the importance of the Greater Bay Area to the long-term future of the profession on both sides of the border. The first meeting of the alliance was held in June, with over 30 delegates from Hong Kong meeting 40 of their counterparts from Guangdong for

**“Together, the new QP and the Practical Experience Framework will ensure that the profession is future ready, and prepares the “Accounting Plus” professionals who will be needed to ensure Hong Kong’s status as a global financial capital.”**

a seminar and roundtable on the further collaboration opportunities.

As the Greater Bay Area plan develops, the Institute will continue to work with the governments of the Hong Kong Special Administrative Region and the People’s Republic of China to ensure recognition and utilization of the unique skills of our member for the benefit of all.

Hong Kong is expected to be an important gateway for the Belt and Road Initiative and represents a one-stop shop of world class professional services needed to deliver projects. In February, the Institute leadership and management attended the Seminar on Strategies and Opportunities under the Belt and Road Initiative organized by the Belt and Road General Chamber of Commerce in Beijing. The seminar aimed to promote Hong Kong’s highly internationalized platform and distinctive edge, including its CPAs, to Mainland government ministries and state-owned enterprises.

The Institute and the profession were also represented at the Hong Kong Trade Development Council’s third Belt and Road Summit in June.

The Institute also hosted a cocktail reception in Guangzhou in March for Institute members and guests from Mainland government and regulatory authorities, professional and business organizations, universities and professional firms. Networking opportunities such as this are important for connecting our members with potential business partners.

### **Future-ready profession and Institute**

Before I end, I wanted to detail some of the preparations for the future and the age of Accounting Plus.

#### *New QP*

The new QP entered the implementation phase this year, with major groundwork being laid for the three levels, which will be rolled out stage-by-stage. The first examination session for the Associate Modules, the Professional Modules and the Capstone will be held in June 2020, December 2020 and June 2021 respectively. Students will begin to notice changes with the introduction of the new online Student Information System in September 2019 and the publication of new study packs for exam preparation.

We also launched a consultation on changes to the Practical Experience Framework.

The proposed changes aims to ensure the revised framework aligns with international standards and the best practices of leading accountancy bodies through enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the Authorized Employer and Authorized Supervisor system, and promoting communication through an online system.

Together, the new QP and the Practical Experience Framework will ensure that the profession is future ready, and prepares the “Accounting Plus” professionals who will be needed to ensure Hong Kong’s status as a global financial capital.

#### *Digital transformation – our new digital experience*

To support a future-ready profession it is vital that the Institute itself is digitally enabled. Council approved the digital strategy plan to upgrade the Institute’s online presence to more effectively engage with members and deliver member service. This three-year project will see the development of a new website with enhanced navigation and search capabilities, and digital marketing tools to bring more relevant information and insights, events and resources to suit the various needs of our diverse membership.

The project was kicked off in June, and the first phase implementing the new website finishes with the launch in mid-November. The new website includes a new homepage design, reorganized content to be more user-focused and intuitive, making it easier to navigate to relevant content. The Institute will collect feedback from website users to make usability improvements, and new features will be rolled out on a regular basis.

Building on these changes and preparing for the Seventh Long Range Plan means that there will be many more busy and fulfilling years ahead for the Institute.

Lastly, I would like to thank the two Vice-Presidents, Council and committee members for their diligent work over the year. Future-readying our profession is a challenge we all must face together, and as a united profession we can succeed in the age of Accounting Plus.

Sincere regards,

**Eric Tong**  
*President*

# ***Notice of the 46th annual general meeting***

NOTICE IS HEREBY GIVEN that the 46th annual general meeting of the Hong Kong Institute of Certified Public Accountants will be held in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Thursday, 13 December 2018 at 5:30 p.m. for the following purposes:

1. To receive the President's address.
2. To receive the annual report of the Institute and approve the statement of accounts.
3. To appoint an auditor of the Institute under Professional Accountants By-Law 42.
4. To elect seven Council members in accordance with sections 12 and 13 of the Professional Accountants Ordinance.
5. To transact any other ordinary business.

By order of the Council

***Jonathan Ng***

*Acting Registrar*

Hong Kong Institute of Certified Public Accountants

Dated this 29th of October 2018

# Election of Council members at the 46th annual general meeting

## Composition of the Council – Section 10, Professional Accountants Ordinance

The Council shall consist of the following members: two ex-officio members, 14 elected members, the immediate past President of the Institute, up to two co-opted members and four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region.

The two ex-officio members are:

- a. The Financial Secretary or a person appointed by him as his representative; and
- b. The Director of Accounting Services or a person appointed by him as his representative.

Chung Lai Ling, Ada (鍾麗玲), representative of the Financial Secretary, and Wong Shing Hei, Charlix (黃成禧), Director of Accounting Services, are the ex-officio members serving on the Council.

The immediate past President of the Institute is Chan Mei Bo, Mabel (陳美寶). She shall hold office as a member of the Council until the conclusion of the 46th annual general meeting.

The four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region are:

- Melissa Brown (白朗瑩)
- Chui Yik Chiu, Vincent (徐亦釗)
- Tam Wing Pong (譚榮邦)
- Wong Kam Pui, Wilfred (黃錦沖)

A lay person shall not be appointed for a term exceeding two years but shall be eligible for re-appointment for a further term or terms of not exceeding two years each.

The 14 elected members shall be certified public accountants registered under section 24(1) of the Professional Accountants Ordinance, each of whom shall on the day of the annual general meeting be ordinarily resident in Hong Kong and of whom at the time of election:

- a. not less than six shall be certified public accountants in full time practice as certified public accountants (practising); and
- b. not less than six shall be certified public accountants otherwise than in full time practice as certified public accountants (practising).

In other words, the 14 elected Council members may be made up as follows:

- a. six certified public accountants who are in full time practice as certified public accountants (practising) (hereafter represented by the letter “P”);
- b. six certified public accountants who are not in full time practice as certified public accountants (practising), who may or may not hold a practising certificate (hereafter represented by the letter “N”); and
- c. two certified public accountants of whom either one or both can be of category P or of category N as mentioned above.



## Retiring Council members

As prescribed by section 12 of the Professional Accountants Ordinance, the seven elected members who have been longest in office since their last election (at the 44th annual general meeting held on 15 December 2016) shall retire from office at the 46th annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

- Cheng Chung Ching, Raymond (鄭中正) (Category P)
- Fong Wan Huen, Loretta (方蘊萱) (Category P)
- Kong Chi How, Johnson (江智蛟) (Category P)
- Kung Yiu Fai, Ronald (龔耀輝) (Category N)
- Charbon Lo (盧卓邦) (Category P)
- Lung Pui Lan, Stella (龍佩蘭) (Category N)
- Eric Tong (唐業銓) (Category P)

The following seven elected Council members will hold office for one more year until the 47th annual general meeting:

- Fung Ling Yip (馮領業) (Category N)
- Law Fu Yuen, Patrick (羅富源) (Category P)
- Lee Suk Yee (李淑儀) (Category N)
- Leung Man Chun (梁文俊) (Category N)
- Leung Man Kit (梁文傑) (Category N)
- Leung Sze Kit, Roy (梁思傑) (Category P)
- Li Kin Hang (李健恆) (Category N)

## Procedures for nomination

By-Law 2(1A) states that “Only a certified public accountant, who shall on the day of the annual general meeting of the Institute be ordinarily resident in Hong Kong, shall become a candidate for election as an elected member of the Council.” For the purpose of this By-Law, a person shall be treated as ordinarily resident if he or she has been present in Hong Kong for not less than 180 days in the preceding 12 months.

By-Law 2(1) states that “A certified public accountant who is a candidate for election as an elected member of the Council shall be nominated by 2 certified public accountants.”

All nominations in writing, signed by the proposer and the seconder, together with a notice signed by the candidate giving his or her consent to stand for election, must reach the Registrar on or before Monday, 19 November 2018 at 5:30 p.m. A nomination form is enclosed for your convenience.

## Ballot for elected members of the Council – Section 13(1)(b) and By-Law 3

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. Monday, 26 November 2018), send a ballot paper to each certified public accountant who shall be entitled to cast one vote in respect of each of the vacancies according to the prescribed ratios of category P and N members as illustrated below:

Elected Council members	Category P	Category N	Total
Present composition	7	7	14
Composition of retiring members at the 46th AGM	5	2	7
Composition of remaining members at the 46th AGM	2	5	7
Minimum - maximum number permissible	6 - 8	6 - 8	14
Minimum - maximum number of vacancies to be filled	4 - 6	1 - 3	7

Completed ballot papers must be returned to the Registrar not less than 72 hours before the date and time fixed for the annual general meeting (i.e. before 5:30 p.m. on Monday, 10 December 2018).

If equal votes have been cast between any candidates, the President shall have a casting vote to determine which one or more of these candidates shall be elected.

Notes:

1. The above paragraphs are purely explanatory and members should always refer to the Professional Accountants Ordinance and By-Laws for formal guidance on the election procedures.
2. Members may choose to cast their votes online at the Institute's website. Details for voting online will be sent to members together with the ballot papers not less than 17 days before the 46th annual general meeting (i.e. Monday, 26 November 2018).

## Timetable

The following is a timetable governing the various stages of the election to be conducted in accordance with the Professional Accountants Ordinance and By-Laws.

Procedures	Deadline	Authority
Nomination of Council members to be lodged with the Registrar	5:30 p.m. Monday, 19 November 2018	By-Law 2(3)
Sending of the list of candidates to members	Monday, 26 November 2018	By-Law 2(5)
Issue of ballot paper to members *	Monday, 26 November 2018	By-Law 3(1)
Return of completed ballot paper to the Registrar *	5:30 p.m. Monday, 10 December 2018	By-Law 3(4)

\* According to section 13(1)(b), these procedures shall become operative if the number of nominations exceeds the number of vacancies for elected members.

## Disclosure of election results

The results of the election will be disclosed to members on the Institute's website, [www.hkicpa.org.hk](http://www.hkicpa.org.hk), after Council receives the results from the auditor under By-Law 3(5). The same will be formally announced at the 46th annual general meeting at which the election is to be held.

# Hong Kong Institute of CPAs

## Nomination form for election to Council at the 46th AGM

To nominate one certified public accountant to the Council of the Hong Kong Institute of Certified Public Accountants under Professional Accountants By-Law 2.

(Please fill in using BLOCK LETTERS)

Name of candidate	Membership no.	Signature
Category: (Please refer to note A)		
Name of proposer	Membership no.	Signature
Name of seconder	Membership no.	Signature

Dated this \_\_\_\_\_ of \_\_\_\_\_ 2018

### Explanatory notes

- Under Professional Accountants By-Law 2(1) and (2), a certified public accountant who is a candidate for election as an elected member of the Council shall be nominated by two certified public accountants. The nomination shall be in writing, proposed by one certified public accountant and seconded by another certified public accountant. In this connection, both their signatures are required as above.
- Signature by a candidate on this form will be accepted by the Registrar as sufficient notice that he or she is willing to offer himself or herself for election to the Council under By-Law 2(2)(c). The signature also serves as a declaration by the candidate that he or she is ordinarily resident in Hong Kong under By-Law 2(1A).
- Signature by a candidate on this form will constitute agreement on his or her part to abide by the disclosure practice of the Council, if he or she is elected to the Council.

Notes:

A. Please signify:

- by the letter "P" for the candidate who is in full time practice as a certified public accountant (practising);
- by the letter "N" for the candidate who is not in full time practice as a certified public accountant (practising), who may or may not hold a practising certificate.

A certified public accountant shall be regarded as being in full time practice as a certified public accountant (practising) if he –

- holds a practising certificate;
- is free to devote substantially the whole of his time during normal office hours to provide his services as a certified public accountant (practising); and
- has not entered into and there is not subsisting a contract of employment between him and an employer [other than an employer who is a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice] under which he is bound to devote the whole or substantially the whole of his time during normal office hours to his employment.

A certified public accountant holding a practising certificate shall not be treated as not being in full time practice as a certified public accountant (practising) by reason only of the fact that he is in the employment of a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice.

Normal office hours shall mean those hours at which banks are generally open for business in Hong Kong.

- In accordance with By-Law 2(3), this nomination form must be duly signed and lodged with the Registrar before 5:30 p.m. on Monday, 19 November 2018 under confidential cover marked "Nomination".
- In accordance with the resolution made by the Council in January 1994, the number of votes received by individual candidates of the Institute's Council election should be disclosed. This practice has applied since the 22nd AGM.
- Please refer to the section "Election of Council members at the 46th annual general meeting", pages 6 to 8.

# Report of the Independent Auditor on the Summary Financial Statements



26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

**To the members of  
Hong Kong Institute of Certified Public Accountants**  
*(Incorporated in Hong Kong under the Professional Accountants Ordinance)*

## **Opinion**

The summary financial statements of Hong Kong Institute of Certified Public Accountants (the “Institute”) set out on pages 11 to 17, 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 2018, and the statements of comprehensive income, the statements of changes in funds and reserve, and the statements of cash flows of the Group and of the Institute for the year then ended, and related notes, are derived from the audited financial statements of the Group and of the Institute for the year ended 30 June 2018 respectively (the “Audited Financial Statements”).

In our opinion, the summary financial statements as derived from the Audited Financial Statements are consistent, in all material respects, with the Audited Financial Statements, on the basis described in note 1 to the summary financial statements.

## **Summary financial statements**

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Institute. Reading the summary financial statements and this report, therefore, is not a substitute for reading the Audited Financial Statements and our report thereon.

## **Audited financial statements and our report thereon**

We expressed an unmodified audit opinion on the Audited Financial Statements in our report dated 20 September 2018.

## **Council’s responsibility for the summary financial statements**

The Council of the Institute is responsible for the preparation of a summary of the audited financial statements in accordance with section 16(4A) of the Professional Accountants Ordinance and on the basis described in note 1 to the summary financial statements.

## **Auditor’s responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the Audited Financial Statements based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing 810 (Revised), “Engagements to Report on Summary Financial Statements” issued by the Institute. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

The engagement director on the audit resulting in this independent auditor’s report is Lam Kar Bo (Practising Certificate number: P05453).

**PKF Hong Kong Limited**  
Certified Public Accountants  
Hong Kong  
20 September 2018

# Statements of Financial Position

At 30 June 2018

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Non-current assets</b>				
Fixed assets	155,668	162,434	154,481	161,696
Interests in subsidiaries	-	-	-	-
Deferred tax assets	70	192	70	192
Prepayments for purchase of fixed assets	1,430	220	1,430	220
	<u>157,168</u>	<u>162,846</u>	<u>155,981</u>	<u>162,108</u>
<b>Current assets</b>				
Inventories	699	681	625	681
Receivables	4,680	2,403	4,996	2,830
Deposits and prepayments	5,819	6,886	5,690	6,763
Tax recoverable	31	27	-	-
Time deposits with original maturities over three months	368,327	321,317	343,151	293,635
Cash and cash equivalents	32,539	56,541	26,167	50,931
	<u>412,095</u>	<u>387,855</u>	<u>380,629</u>	<u>354,840</u>
<b>Current liabilities</b>				
Contract liabilities	(82,758)	(80,585)	(82,119)	(79,846)
Payables and accruals	(40,339)	(37,758)	(38,746)	(36,206)
Lease liabilities	(2,385)	(1,543)	(1,705)	(1,012)
Current tax liabilities	(1,044)	(128)	(1,044)	(128)
	<u>(126,526)</u>	<u>(120,014)</u>	<u>(123,614)</u>	<u>(117,192)</u>
<b>Net current assets</b>	<u>285,569</u>	<u>267,841</u>	<u>257,015</u>	<u>237,648</u>
<b>Non-current liabilities</b>				
Lease liabilities	(1,117)	(1,231)	(593)	(1,051)
Deferred tax liabilities	-	-	-	-
	<u>(1,117)</u>	<u>(1,231)</u>	<u>(593)</u>	<u>(1,051)</u>
	<u>441,620</u>	<u>429,456</u>	<u>412,403</u>	<u>398,705</u>
<b>Funds and reserve</b>				
General fund	247,714	242,689	224,395	217,826
Capital fund	194,018	186,889	188,008	180,879
Exchange reserve	(112)	(122)	-	-
	<u>441,620</u>	<u>429,456</u>	<u>412,403</u>	<u>398,705</u>

Approved by the Council on 20 September 2018

**Eric Tong**  
President

**Jonathan Ng**  
Executive Director

## Statements of Comprehensive Income

For the year ended 30 June 2018

	Note	Group		Institute	
		2018 HK\$ '000	2017 HK\$ '000	2018 HK\$ '000	2017 HK\$ '000
Subscriptions and fees	2	148,637	141,172	147,282	139,619
Other revenue	3	104,256	101,136	103,562	100,187
Total revenue from contracts with customers		252,893	242,308	250,844	239,806
Other income	4	29,181	23,222	30,198	24,232
Expenses		(275,862)	(253,207)	(273,307)	(250,226)
<b>Surplus before tax</b>	5	<b>6,212</b>	12,323	<b>7,735</b>	13,812
Income tax charge		(1,187)	(2,192)	(1,166)	(2,204)
<b>Surplus</b>		<b>5,025</b>	10,131	<b>6,569</b>	11,608
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange gain/(loss) on translating the financial statements of HKICPA Beijing		10	(3)	-	-
<b>Comprehensive income</b>		<b>5,035</b>	10,128	<b>6,569</b>	11,608

Approved by the Council on 20 September 2018

**Eric Tong**  
President

**Jonathan Ng**  
Executive Director

## Statements of Changes in Funds and Reserve

For the year ended 30 June 2018

	2018						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At the beginning of the reporting period	242,689	186,889	(122)	429,456	217,826	180,879	398,705
Surplus	5,025	-	-	5,025	6,569	-	6,569
Other comprehensive income	-	-	10	10	-	-	-
Comprehensive income	5,025	-	10	5,035	6,569	-	6,569
Capital levy from members and students (a)	-	7,129	-	7,129	-	7,129	7,129
<b>At the end of the reporting period</b>	<b>247,714</b>	<b>194,018</b>	<b>(112)</b>	<b>441,620</b>	<b>224,395</b>	<b>188,008</b>	<b>412,403</b>
	2017						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At the beginning of the reporting period	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 (a)	-	6,971	-	6,971	-	6,971	6,971
<b>At the end of the reporting period</b>	<b>242,689</b>	<b>186,889</b>	<b>(122)</b>	<b>429,456</b>	<b>217,826</b>	<b>180,879</b>	<b>398,705</b>

(a) 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.

# Statements of Cash Flows

For the year ended 30 June 2018

	Group		Institute	
	2018 HK\$ '000	2017 HK\$ '000	2018 HK\$ '000	2017 HK\$ '000
<b>Cash flows from operating activities</b>				
Surplus before tax	6,212	12,323	7,735	13,812
Adjustments for:				
Allowance for obsolete inventories	41	7	41	7
Depreciation of fixed assets	13,790	13,641	13,049	12,949
Interest on lease liabilities	125	95	98	75
Impairment of receivables	17	126	17	126
Obsolete inventories written off	5	13	5	13
Uncollectible amounts written off	18	2	18	2
<b>Operating cash flows before working capital changes</b>	<b>20,208</b>	<b>26,207</b>	<b>20,963</b>	<b>26,984</b>
(Increase)/decrease in inventories	(64)	47	10	44
Increase in receivables	(2,312)	(511)	(2,201)	(132)
Decrease in deposits and prepayments	1,064	893	1,073	904
Increase in time deposits with original maturities over three months	(47,010)	(4,205)	(49,516)	(6,876)
Increase/(decrease) in contract liabilities	2,173	(325)	2,273	(299)
Increase in payables and accruals	1,026	2,771	973	3,036
<b>Cash (utilized in)/generated from operations</b>	<b>(24,915)</b>	<b>24,877</b>	<b>(26,425)</b>	<b>23,661</b>
Net tax paid	(153)	(3,687)	(128)	(3,682)
<b>Net cash (utilized in)/generated from operating activities</b>	<b>(25,068)</b>	<b>21,190</b>	<b>(26,553)</b>	<b>19,979</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(1,889)	(3,873)	(1,889)	(3,873)
Prepayments for purchase of fixed assets	(1,430)	(220)	(1,430)	(220)
<b>Net cash utilized in investing activities</b>	<b>(3,319)</b>	<b>(4,093)</b>	<b>(3,319)</b>	<b>(4,093)</b>
<b>Cash flows from financing activities</b>				
Lease payments	(2,744)	(2,690)	(2,021)	(2,033)
Capital levy received	7,129	6,971	7,129	6,971
<b>Net cash generated from financing activities</b>	<b>4,385</b>	<b>4,281</b>	<b>5,108</b>	<b>4,938</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(24,002)</b>	<b>21,378</b>	<b>(24,764)</b>	<b>20,824</b>
Cash and cash equivalents at the beginning of the reporting period	56,541	35,158	50,931	30,107
Exchange difference in respect of cash and cash equivalents	-	5	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>32,539</b>	<b>56,541</b>	<b>26,167</b>	<b>50,931</b>

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$3,314,000 (2017: HK\$806,000) and HK\$2,158,000 (2017: HK\$491,000) respectively by means of leases. At 30 June 2018, HK\$1,567,000 for additions of owned assets was included in "Payables and accruals" for the Group and the Institute.



# Notes to the Summary Financial Statements

For the year ended 30 June 2018

## 1. General information

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.

These summary financial statements, as approved by the Council, have been derived from the audited financial statements of the Group and of the Institute for the year ended 30 June 2018 and contain the statements of financial position, the statements of comprehensive income, the statements of changes in funds and reserve, and the statements of cash flows as presented therein. In addition, these summary financial statements contain notes, as derived from the audited financial statements, in relation to significant revenue and income generated from and expenses incurred for the principal activities of the Group and of the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the financial performance, the financial position and the cash flows of the Group and of the Institute as would be provided by the audited financial statements. A copy of the audited financial statements in electronic form is available on the Institute’s website.

## 2. Subscriptions and fees

	Group		Institute	
	2018 HK\$ '000	2017 HK\$ '000	2018 HK\$ '000	2017 HK\$ '000
<b>Annual subscription fees</b>				
Members (a)	87,145	81,304	87,145	81,304
Practising certificates	24,202	23,493	24,202	23,493
Students	8,229	8,401	7,534	7,546
Firms	10,794	10,913	10,794	10,913
Corporate practices	6,807	6,378	6,807	6,378
Others	1,237	1,124	615	458
<b>First registration fees</b>				
Members	5,118	5,056	5,118	5,056
Practising certificates	892	700	892	700
Students	1,882	1,858	1,846	1,826
Firms	130	182	130	182
Corporate practices	220	226	220	226
Others	317	85	315	85
<b>Other fees</b>				
Advancement to fellowship	276	248	276	248
Assessment for overseas students	1,388	1,204	1,388	1,204
	<u>148,637</u>	<u>141,172</u>	<u>147,282</u>	<u>139,619</u>

### a. Members’ annual subscription fees

	Group and Institute	
	2018 HK\$ '000	2017 HK\$ '000
Annual subscription fees	88,894	86,551
Less: One-off subscription reduction	<u>(1,749)</u>	<u>(5,247)</u>
	<u>87,145</u>	<u>81,304</u>

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 for the year ended 30 June 2017 represented 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 was recognized in the current year.

In June 2018, the Council announced a membership fee waiver for calendar years 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 will be for the full fee, and a review will be conducted before 2020 to determine the appropriate level of the waiver.

### 3. Other revenue

	Group		Institute	
	2018	2017	2018	2017
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Income from examinations	81,209	81,052	80,525	80,134
Income from seminars and courses	21,133	18,559	21,123	18,536
Income from member and student activities	1,914	1,467	1,914	1,467
Accreditation income	-	58	-	50
	<u>104,256</u>	<u>101,136</u>	<u>103,562</u>	<u>100,187</u>

### 4. Other income

	Group		Institute	
	2018	2017	2018	2017
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
FRC special levy (a)	8,092	7,706	8,092	7,706
Events sponsorship	2,132	1,798	2,132	1,798
Disciplinary fines and costs recovery	8,238	2,133	8,238	2,133
Interest income	4,309	3,515	4,007	3,245
Sales of goods	2,098	4,739	2,028	4,638
Income from advertisements placed in the journals	326	254	326	254
Litigation costs recovery (b)	1,548	89	1,548	89
Income from hardcopy surcharge	790	1,007	790	1,007
Commission from professional indemnity insurance master policy	1,263	1,169	1,263	1,169
Commission from affinity credit card programme	129	150	129	150
Royalty income	18	28	4	8
Donations	46	30	31	13
Income from sub-leasing right-of-use assets	121	176	121	176
Recovery of impaired receivables	20	187	20	187
Reversal of allowance for obsolete inventories	11	22	11	22
Service fees from HKIAAT	-	-	1,440	1,440
Miscellaneous	40	219	18	197
	<u>29,181</u>	<u>23,222</u>	<u>30,198</u>	<u>24,232</u>

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\$8,092,000 (2017: HK\$7,706,000) from such member practices and contributed HK\$8,092,000 (2017: HK\$7,706,000) to the FRC.

b. Litigation costs recovery

	<b>Group and Institute</b>	
	<b>2018</b>	2017
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Litigation costs recovery for:		
Appeal against a judicial review (i)	-	89
Professional indemnity insurance recovery (ii)	<b>1,548</b>	-
	<b>1,548</b>	<b>89</b>

(i) During the year ended 30 June 2017, the Institute recovered HK\$89,000 from an applicant who applied for judicial review on the handling procedure of a complaint against him.

(ii) During the current year, the Institute recognized HK\$1,548,000 as potential recovery from the insurers for settlement of legal costs and possible claim incurred by the Institute in dealing with an appeal against a disciplinary order. The amount is recognized in accordance with the accounting policy on provisions that it is virtually certain. At 30 June 2018, HK\$5,231,000 is accrued as potential liability for the case (note 5), which is under on-going settlement discussions. The actual recovery and liability will depend upon a number of factors including taxation, agreement reached with the appellant and the insurers agreement to such amounts.

## 5. Surplus before tax

	<b>Group</b>		<b>Institute</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	<b>148,377</b>	138,671	<b>144,306</b>	134,189
Depreciation of fixed assets	<b>13,790</b>	13,641	<b>13,049</b>	12,949
Contribution to FRC	<b>8,092</b>	7,706	<b>8,092</b>	7,706
Award for an appeal case (note 4(b) (ii))	<b>5,231</b>	-	<b>5,231</b>	-
Auditor’s remuneration	<b>399</b>	437	<b>309</b>	342
Allowance for obsolete inventories	<b>41</b>	7	<b>41</b>	7
Cost of goods sold	<b>228</b>	799	<b>227</b>	798
Donations (a)	<b>14</b>	14	<b>64</b>	64
Exchange loss/(gain)	<b>105</b>	(75)	<b>118</b>	(83)
Impairment of receivables	<b>17</b>	126	<b>17</b>	126
Interest on lease liabilities	<b>125</b>	95	<b>98</b>	75
Obsolete inventories written off	<b>5</b>	13	<b>5</b>	13
Recovery of impaired receivables	<b>(20)</b>	(187)	<b>(20)</b>	(187)
Recovery of obsolete inventories written off	<b>(11)</b>	(22)	<b>(11)</b>	(22)
Uncollectible amounts written off	<b>18</b>	2	<b>18</b>	2

a. During the current year, the Institute donated HK\$50,000 (2017: HK\$50,000) to The HKICPA Charitable Fund.



Hong Kong Institute of  
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