

# ANNUAL GENERAL MEETING 2019

**Nurturing success**

The Qualification Programme turns 20



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

# MESSAGE FROM THE PRESIDENT

“The Institute has undertaken significant efforts over the past years to prepare for the first sitting of the new QP in 2020.”



## Dear members,

A strong Institute requires strong leadership. The hiring of the new Chief Executive and Registrar Margaret W.S. Chan, who joined in July 2019, will help the Institute to develop further. Under her leadership, I foresee a great future for the Institute and the accounting profession in Hong Kong.

Another new development this year was the preparation of biographies of Council members on the Institute’s website. These biographies inform members about the background of Council members, their skills and experience, and other relevant information. Ensuring that members are aware of the background of our Council members can help them to feel more connected to the Institute and help them understand how it is working in their interests.

The Institute has been increasingly transparent and openly engaging with members, expanding pathways to membership and developing different ways to provide innovative support and services to members.

With the approval of the Council, the Institute embarked on a three-year Digital Strategic Plan to develop the Institute’s digital capabilities and improve the digital experience for our members and Qualification Programme (QP) students, including revamping of

the Institute’s website and updating its event mobile application. The new website received positive feedback regarding the design and mobile compatibility.

The Council determined to introduce a full fee waiver for members who were on the register of members at 31 December 2017 for the 2019 financial year. Maintaining sufficient reserves for the Institute’s planned developments is vital. In 2019, the Council determined that another full fee waiver would be appropriate for 2020, and so members who were on the register at 31 December 2017 will again enjoy another membership fee waiver this year.

## Upgrading the Qualification Programme

The Institute’s commitment to nurturing a new generation of thinking and forward-looking accountants through the QP continues to see an encouraging return. As of the end of September 2019, over 22,000 QP students have graduated from the programme since its inception in 1999.

This year marks the 20th anniversary of the QP and also the launch of the new QP, which comprises three progressive levels with 14 modules and a Capstone. The new QP is important in preparing our students to be Accountants Plus. One feature of the new QP that will help promote the profession to university students from a wider range of disciplines is the Associate level. Rather than being required to take a conversion course, the Associate level equips accountant

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aspirants with the fundamentals needed for the rest of the QP.

The Professional and the Capstone levels aim to further develop students' skills in research, analysis, the application of technical knowledge, and inter-participant experience sharing, as well as the ability to handle situations professional accountants typically encounter.

The Institute has undertaken significant efforts over the past years to prepare for the first sitting of the new QP in 2020.

### Preparing members for opportunities ahead

Careers increasingly face disruption by technology and changing business demands for the services of accountants. An accountant must ensure their skills are kept up-to-date and they have training on the technology they need to use. To assist its members, the Institute regularly offers new continuing professional development content. Increasingly, online courses are being offered, including recordings of traditional face-to-face events, to enable members to study any time they want.

Technical seminars and workshops on new regulations and technologies held this year updated members on the changing environment and helped them to respond to the ever-evolving business demands. As well as the seminars and workshops, the Institute organized conferences for professional accountants in business (PAIBs) and small- and medium-sized practices (SMPs). This year, the PAIB Conference was themed "Digital & Virtual Banking: tomorrow's banking today?" and covered the impacts of new technologies on the development of the accounting profession.

Maintaining Hong Kong's role as a leading financial centre requires constant improvements. The year saw the passing of the Financial Reporting

Council (Amendment) Bill to transfer the regulation of public interest entity auditors from the Institute to the independent Financial Reporting Council (FRC). This change brings Hong Kong in line with international practices. The Institute and the FRC have met often to ensure the handover of responsibilities is smooth.

### Developing our GBA relations

The development of the Greater Bay Area (GBA) is one of the key strategies for China's continued successful economic development. This year saw the unveiling of the official blueprint for the GBA, the Outline Development Plan, in February 2019. Governments, professional bodies (including the Institute), industries, and business communities are proactively responding to develop the GBA for the betterment of all. The Institute's members cover a wide range of specializations and have the ability to help the GBA initiative achieve its goals.

The Guangdong-Hong Kong-Macau CPA Practices Alliance is a key way to connect our SMPs with their contemporaries across the GBA. The alliance held its third meeting on 21 June 2019, under the theme of "Digital Economy and the GBA Construction", with close to 150 participants attending to strengthen relationships and exchange views among CPAs in the GBA.

The Institute also organizes regular events across the GBA to promote interactions and discussions. The annual cocktail reception in February 2019 in Guangzhou saw over 100 members and guests from Mainland government and regulatory authorities, professional and business organizations, universities and professional firms come together to celebrate the new year. In June 2019, a delegation of 30 SMPs visited Huizhou to learn about the latest economic development and explore cooperation opportunities.

As well as the GBA, the Institute arranges tours for members across the Mainland.

In October 2018, the Young Members Committee organized a four-day study tour to Shanghai for 40 young members, visiting local government bureaux, the Asian Infrastructure Investment Bank, the Shanghai Stock Exchange, and an automobile company, to enhance their understanding of Shanghai's financial and business sectors.

### Advancing the profession's image

In early June, the Institute proactively engaged with a financial news programme to secure a 10 minutes feature for promoting the accounting profession. I shared my views on how the demand for accounting professionals has changed from traditional auditing and taxation services to talents with cross-disciplinary experience, and the determination of the Institute to train Accountants Plus with the necessary skills to deal with growing client needs. The feature also interviewed two young members, who shared how they seize the opportunities and tackle work challenges in an accounting firm and a corporate respectively.

It is my great honour to be able to serve as President in 2019. I would like to record my thanks to all Council members, committee members, and the management and staff of the Institute for their great support and team work, particularly the two Vice-Presidents, Johnson Kong and Nelson Lam. Last but not least, my big thank you also goes to all the members who gave their views at various occasions, including the three members' forums held in September, to help shape the Institute's future direction.

Together we have achieved a lot and I trust next year to be even more eventful with all the hard work preparing for the future over the past year.

Sincere regards,

**Patrick Law**  
President

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**“Only through open dialogue can we work together to achieve success, to celebrate the 20th anniversary of the QP, and to build a future-ready profession.”**

**Dear members,**

I am honoured to have joined the Institute and to lead it at such an important time. Great work has already been done in preparing the Institute and the profession for the future. The roll out of the new Qualification Programme (QP) is underway, with new study materials and training for workshop facilitators and markers. The three-year Digital Strategic Plan continues on from the successful launch of the improved website last year with the digitalization of the Institute’s members facing platform – with the team releasing a new events app for mobile devices. Finally, for

some members, the transition to the new audit regulatory regime will change the requirements for public interest entity auditors. But our work cannot stop with these developments.

“Building a Future Ready Profession” is the theme of the Institute’s forthcoming Long Range Plan, which will guide the activities of the Institute as it seeks to ensure that the profession is ready for the age of Accounting Plus. As the business world continues to change, Accountants Plus are those who respond to new opportunities, and utilize new technologies to provide higher value-added services to clients and employers.

This next Long Range Plan will help current and future Accountants Plus by ensuring accounting remains a preferred career choice for top talent, the profession is dynamic and relevant to the needs of businesses and society, and that the Institute continues to be regarded as a premium body both in Hong Kong and internationally. These three objectives will benefit the profession like the original roll out of the QP did 20 years ago.

**More tailored support**

Some progress has been made in preparing members to be Accountants Plus, with expanded continuing professional development (CPD) courses and programmes being a good example of the Institute’s work focused on the career opportunities and demands of employers. But it is important that we continue our work to ensure you, our fellow members, are ready for the opportunities and the challenges ahead.

For the Institute to tailor its support to the needs of members, we need to hear from you, and understand what help you need to be successful in your work. That is why the members’ forums we organized in September were useful activities for us.

The world has changed significantly since many of us obtained our CPA designations – new technologies, globalization and the growing importance of China have all transformed how Hong Kong’s accountants work and the projects they are working on. These have affected

**“As the business world continues to change, Accountants Plus are those who respond to new opportunities, and utilize new technologies to provide higher value-added services to clients and employers.”**



# MESSAGE FROM THE CHIEF EXECUTIVE AND REGISTRAR

members' career expectations and the paths available within the profession. With 40 percent of our members aged 40 or below, it is important that we hear from these younger members and respond to their needs. At the forums, young members spoke of the desire for dynamic learning programmes, blending face-to-face and online study, and support in obtaining work-life balance.

## Challenges to overcome

Turning to the activities of our members, more than 60 percent are working in business, while on the practising side 70 percent of our member firms and corporate practices only have one partner or director. These groups need support tailored to their needs, business environments and the opportunities available to them.

Members told us of the challenging business environment they are facing, with the economic downturn and changes to their working conditions due to new regulatory regimes including the anti-money laundering and counter-terrorist financing regime, and new standards. Change is disruptive, and it's the Institute's

responsibility to ensure members have access to the tools and information they need to rise to the challenges. We will continue to explore new ways to achieve this and deliver the support you need.

## Working together

We shall continue building our mutual understanding of members' needs through further engagement activities.

This will allow us to strengthen our strategic focus, and prepare the profession to meet the challenges of the continually changing business environment in the age of Accounting Plus.

I hope to meet many of you in the coming months and learn about your needs and expectations. Only through open dialogue can we work together to achieve success, to celebrate the 20th anniversary of the QP, and to build a future-ready profession.

Sincere regards,

**Margaret W.S. Chan**  
Chief Executive and  
Registrar



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NOTICE OF THE

**47<sup>th</sup>**

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th 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, 12 December 2019 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

*Margaret W.S. Chan*

*Registrar*

Hong Kong Institute of Certified Public Accountants

Dated this 29th of October 2019

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# ELECTION OF COUNCIL MEMBERS AT THE 47TH ANNUAL GENERAL MEETING

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## 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 Eric Tong (唐業銓). He shall hold office as a member of the Council until the conclusion of the 47th annual general meeting.

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

- Chui Yik Chiu, Vincent (徐亦釗)
- Ho Shuk Yee, Susie (何淑兒)
- Ng Choi Yuk, Theresa (吳彩玉)
- Wong Kam Pui, Wilfred (黃錦沛)

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 45th annual general meeting held on 14 December 2017) shall retire from office at the 47th annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

- 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)

The following seven elected Council members will hold office for one more year until the 48th annual general meeting:

- Au Chun Hing (歐振興) (Category P)
- Au Ki Lun (區紀倫) (Category N)
- Cheng Chung Ching, Raymond (鄭中正) (Category P)
- Cheung Hok Yan, Jennifer (張學欣) (Category N)
- Fong Wan Huen, Loretta (方蘊萱) (Category P)
- Kong Chi How, Johnson (江智蛟) (Category P)
- Lam Chi Yuen, Nelson (林智遠) (Category P)

## 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, 18 November 2019 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, 25 November 2019), 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 47th AGM	2	5	7
Composition of remaining members at the 47th AGM	5	2	7
Minimum - maximum number permissible	6 - 8	6 - 8	14
Minimum - maximum number of vacancies to be filled	1 - 3	4 - 6	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, 9 December 2019).

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:

- 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.*
- 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 47th annual general meeting (i.e. Monday, 25 November 2019).*

## 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 form to be lodged with the Registrar	5:30 p.m. Monday, 18 November 2019	By-Law 2(3)
Sending of the list of candidates to members	Monday, 25 November 2019	By-Law 2(5)
Issue of ballot paper to members *	Monday, 25 November 2019	By-Law 3(1)
Return of completed ballot paper to the Registrar *	5:30 p.m. Monday, 9 December 2019	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 the Council receives the results from the auditor under By-Law 3(5). The same will be formally announced at the 47th annual general meeting at which the election is to be held.

# HONG KONG INSTITUTE OF CPAS NOMINATION FORM FOR ELECTION TO COUNCIL AT THE 47TH 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 \_\_\_\_\_ 2019

## 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, 18 November 2019 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 47th annual general meeting", pages 6 to 8.

# REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS



26/F, Citicorp Centre  
18 Whitefield 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 18, 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 2019, 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 2019 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 17 September 2019.

## 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  
17 September 2019

# STATEMENTS OF FINANCIAL POSITION

At 30 June 2019

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Fixed assets	162,566	155,668	162,064	154,481
Interests in subsidiaries	-	-	-	-
Deferred tax assets	-	70	-	70
Prepayments for purchase of fixed assets	597	1,430	597	1,430
	<b>163,163</b>	<b>157,168</b>	<b>162,661</b>	<b>155,981</b>
<b>Current assets</b>				
Inventories	471	699	405	625
Receivables	4,457	4,680	4,374	4,996
Deposits and prepayments	7,726	5,819	7,675	5,690
Tax recoverable	200	31	165	-
Time deposits with original maturities over three months	201,244	368,327	183,054	343,151
Cash and cash equivalents	122,593	32,539	111,418	26,167
	<b>336,691</b>	<b>412,095</b>	<b>307,091</b>	<b>380,629</b>
<b>Current liabilities</b>				
Contract liabilities	(68,547)	(82,758)	(68,547)	(82,119)
Payables and accruals	(45,292)	(40,339)	(43,932)	(38,746)
Lease liabilities	(1,658)	(2,385)	(1,152)	(1,705)
Current tax liabilities	-	(1,044)	-	(1,044)
	<b>(115,497)</b>	<b>(126,526)</b>	<b>(113,631)</b>	<b>(123,614)</b>
<b>Net current assets</b>	<b>221,194</b>	<b>285,569</b>	<b>193,460</b>	<b>275,015</b>
<b>Non-current liabilities</b>				
Lease liabilities	(698)	(1,117)	(698)	(593)
Deferred tax liabilities	(2,085)	-	(2,085)	-
	<b>(2,783)</b>	<b>(1,117)</b>	<b>(2,783)</b>	<b>(593)</b>
	<b>381,574</b>	<b>441,620</b>	<b>353,338</b>	<b>412,403</b>
<b>Funds and reserve</b>				
General fund	186,259	247,714	163,900	224,395
Capital fund	195,448	194,018	189,438	188,008
Exchange reserve	(133)	(112)	-	-
	<b>381,574</b>	<b>441,620</b>	<b>353,338</b>	<b>412,403</b>

Approved by the Council on 17 September 2019

Law Fu Yuen, Patrick  
President

Margaret W.S. Chan  
Chief Executive and Registrar

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Note</i>	<b>Group</b>		<b>Institute</b>	
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscriptions and fees	<i>2</i>	<b>85,509</b>	148,637	<b>84,886</b>	147,282
Other revenue	<i>3</i>	<b>96,425</b>	104,256	<b>96,147</b>	103,562
Total revenue from contracts with customers		<b>181,934</b>	252,893	<b>181,033</b>	250,844
Other income	<i>4</i>	<b>34,118</b>	29,181	<b>34,312</b>	30,198
Expenses		<b>(275,345)</b>	(275,862)	<b>(273,685)</b>	(273,307)
<b>(Deficit)/surplus before tax</b>	<i>5</i>	<b>(59,293)</b>	6,212	<b>(58,340)</b>	7,735
Income tax charge		<b>(2,162)</b>	(1,187)	<b>(2,155)</b>	(1,166)
<b>(Deficit)/surplus</b>		<b>(61,455)</b>	5,025	<b>(60,495)</b>	6,569
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange (loss)/gain on translating the financial statements of HKICPA Beijing		<b>(21)</b>	10	-	-
<b>Comprehensive income</b>		<b>(61,476)</b>	5,035	<b>(60,495)</b>	6,569

*Approved by the Council on 17 September 2019*

**Law Fu Yuen, Patrick**  
*President*

**Margaret W.S. Chan**  
*Chief Executive and Registrar*



# STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2019

	2019						
	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	247,714	194,018	(112)	441,620	224,395	188,008	412,403
Deficit	(61,455)	-	-	(61,455)	(60,495)	-	(60,495)
Other comprehensive income	-	-	(21)	(21)	-	-	-
Comprehensive income	(61,455)	-	(21)	(61,476)	(60,495)	-	(60,495)
Capital levy from members and students (a)	-	1,430	-	1,430	-	1,430	1,430
<b>At the end of the reporting period</b>	<b>186,259</b>	<b>195,448</b>	<b>(133)</b>	<b>381,574</b>	<b>163,900</b>	<b>189,438</b>	<b>353,338</b>

  

	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
At the end of the reporting period	247,714	194,018	(112)	441,620	224,395	188,008	412,403

(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 2019

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>				
(Deficit)/surplus before tax	(59,293)	6,212	(58,340)	7,735
Adjustments for:				
Allowance for obsolete inventories	37	41	37	41
Depreciation of fixed assets	15,102	13,790	14,409	13,049
Gain on disposal of fixed assets	(11)	-	(11)	-
Interest on lease liabilities	117	125	70	98
Impairment of receivables	-	17	-	17
Obsolete inventories written off	11	5	11	5
Uncollectible amounts written off	7	18	7	18
<b>Operating cash flows before working capital changes</b>	<b>(44,030)</b>	<b>20,208</b>	<b>(43,817)</b>	<b>20,963</b>
Decrease/(increase) in inventories	180	(64)	172	10
Decrease/(increase) in receivables	216	(2,312)	615	(2,201)
(Increase)/decrease in deposits and prepayments	(1,903)	1,064	(1,985)	1,073
Decrease/(increase) in time deposits with original maturities over three months	167,083	(47,010)	160,097	(49,516)
(Decrease)/increase in contract liabilities	(14,211)	2,173	(13,572)	2,273
(Decrease)/increase in payables and accruals	(707)	1,026	(453)	973
<b>Cash generated from/(utilized in) operations</b>	<b>106,628</b>	<b>(24,915)</b>	<b>101,057</b>	<b>(26,425)</b>
Net tax paid	(1,220)	(153)	(1,209)	(128)
<b>Net cash generated from/(utilized in) operating activities</b>	<b>105,408</b>	<b>(25,068)</b>	<b>99,848</b>	<b>(26,553)</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(13,351)	(1,889)	(13,306)	(1,889)
Prepayments for purchase of fixed assets	(597)	(1,430)	(597)	(1,430)
Sale proceeds from disposal of fixed assets	11	-	11	-
<b>Net cash utilized in investing activities</b>	<b>(13,937)</b>	<b>(3,319)</b>	<b>(13,892)</b>	<b>(3,319)</b>
<b>Cash flows from financing activities</b>				
Lease payments	(2,844)	(2,744)	(2,135)	(2,021)
Capital levy received	1,430	7,129	1,430	7,129
<b>Net cash (utilized in)/generated from financing activities</b>	<b>(1,414)</b>	<b>4,385</b>	<b>(705)</b>	<b>5,108</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>90,057</b>	<b>(24,002)</b>	<b>85,251</b>	<b>(24,764)</b>
Cash and cash equivalents at the beginning of the reporting period	32,539	56,541	26,167	50,931
Exchange difference in respect of cash and cash equivalents	(3)	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>122,593</b>	<b>32,539</b>	<b>111,418</b>	<b>26,167</b>

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$1,617,000 (2018: HK\$3,314,000) and HK\$1,617,000 (2018: HK\$2,158,000) respectively by means of leases. At 30 June 2019, HK\$5,639,000 (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 2019

## 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 2019 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	
	2019	2018	2019	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Annual subscription fees</b>				
Members (a)	22,993	87,145	22,993	87,145
Practising certificates	25,144	24,202	25,144	24,202
Students	7,740	8,229	7,429	7,534
Firms	10,746	10,794	10,746	10,794
Corporate practices	7,426	6,807	7,426	6,807
Others	1,066	1,237	764	615
<b>First registration fees</b>				
Members	5,586	5,118	5,586	5,118
Practising certificates	952	892	952	892
Students	1,661	1,882	1,651	1,846
Firms	154	130	154	130
Corporate practices	242	220	242	220
Others	182	317	182	315
<b>Other fees</b>				
Advancement to fellowship	319	276	319	276
Assessment for overseas students	1,298	1,388	1,298	1,388
	<b>85,509</b>	<b>148,637</b>	<b>84,886</b>	<b>147,282</b>

### a. Members’ annual subscription fees

	Group and Institute	
	2019	2018
	HK\$’000	HK\$’000
Annual subscription fees	22,993	88,894
Less: One-off subscription reduction	-	(1,749)
	<b>22,993</b>	<b>87,145</b>

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 was for the full fee. A review was conducted during the current year, the fee waiver for 2020 will be for the full fee.

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 prior year.

### 3. Other revenue

	Group		Institute	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from examinations	74,437	81,209	74,159	80,525
Income from seminars and courses	20,605	21,133	20,605	21,123
Income from member and student activities	1,347	1,914	1,347	1,914
Accreditation income	36	-	36	-
	<b>96,425</b>	<b>104,256</b>	<b>96,147</b>	<b>103,562</b>

### 4. Other income

	Group		Institute	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FRC special levy (a)	8,496	8,092	8,496	8,092
Events sponsorship	2,043	2,132	2,043	2,132
Disciplinary fines and costs recovery	7,789	8,238	7,789	8,238
Interest income	5,755	4,309	5,325	4,007
Sales of goods	1,294	2,098	1,248	2,028
Income from advertisements placed in the journals	196	326	196	326
Litigation costs recovery (b)	6,267	1,548	6,267	1,548
Income from hardcopy surcharge	686	790	686	790
Commission from professional indemnity insurance master policy	1,329	1,263	1,329	1,263
Commission from affinity credit card programme	133	129	133	129
Royalty income	23	18	-	4
Donations	25	46	17	31
Income from sub-leasing right-of-use assets	32	121	32	121
Recovery of impaired receivables	-	20	-	20
Reversal of allowance for obsolete inventories	6	11	6	11
Service fees from HKIAAT	-	-	720	1,440
Gain on disposal of fixed assets	11	-	11	-
Miscellaneous	33	40	14	18
	<b>34,118</b>	<b>29,181</b>	<b>34,312</b>	<b>30,198</b>

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\$8,496,000 (2018: HK\$8,092,000) from such member practices and contributed HK\$8,496,000 (2018: HK\$8,092,000) to the FRC.

b. Litigation costs recovery

	<b>Group and Institute</b>	
	<b>2019</b>	2018
	<b>HK\$’000</b>	<i>HK\$’000</i>
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	<b>4,767</b>	1,548
Appeals against disciplinary orders (ii)	<b>1,500</b>	-
	<b>6,267</b>	1,548

- (i) During the current year, the Institute recognized HK\$4,767,000 (2018: HK\$1,548,000) as recovery from the insurers for partial settlement of legal costs and claims incurred in dealing with an appeal against a disciplinary order. The amount recognized for the year ended 30 June 2018 was made in accordance with the accounting policy on provisions that it is virtually certain. The amount was fully recovered during the current year.

During the current year, the Institute made partial settlement of HK\$4,000,000 for the case and an additional cost of HK\$127,000 (2018: HK\$5,231,000) was charged to the statements of comprehensive income. At 30 June 2019, included in “Payables and accruals” is an amount of HK\$1,358,000 (2018: HK\$5,231,000) for outstanding potential liability of the case, 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.

- (ii) During the current year, the Institute recovered HK\$1,500,000 as interim settlement from an applicant who applied for appeal on a disciplinary order against him.



## 5. (Deficit)/surplus before tax

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Deficit)/surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	156,857	148,377	153,400	144,306
Depreciation of fixed assets	15,102	13,790	14,409	13,049
Contribution to FRC	8,496	8,092	8,496	8,092
Award for an appeal case	127	5,231	127	5,231
Auditor's remuneration	476	399	383	309
Allowance for obsolete inventories	37	41	37	41
Cost of goods sold	151	228	142	227
Donations (a)	2	14	52	64
Exchange loss	14	105	-	118
Gain on disposal of fixed assets	(11)	-	(11)	-
Impairment of receivables	-	17	-	17
Interest on lease liabilities	117	125	70	98
Obsolete inventories written off	11	5	11	5
Recovery of impaired receivables	-	(20)	-	(20)
Recovery of obsolete inventories written off	(6)	(11)	(6)	(11)
Uncollectible amounts written off	7	18	7	18

(a) During the current year, the Institute donated HK\$50,000 (2018: HK\$50,000) to The HKICPA Charitable Fund.



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

#### ON THE COVER

This year's annual report celebrates the 20th anniversary of the Institute's Qualification Programme (QP), a world-class, well-rounded professional training programme designed to nurture success in its students. As well as celebrating the anniversary of the programme, this year the Institute is launching the new QP to nurture future generations of CPAs for success in the age of Accounting Plus. The full annual report will include photo essays of QP graduates who nurture the success of their clients and employers and add value across a wide range of sectors. Collectively, their experiences showcase how the programme effectively equips CPAs with the relevant skills to meet the ever-changing business needs.

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