

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Minutes of the **43rd Annual General Meeting** held at 5:30 pm, Friday, 11 December 2015 in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

- Chairman : Mr. Dennis HO, FCPA (President)
- Council Members Present : Ms. Mabel M.B. CHAN, CPA (Vice President)
Ms. CHEUNG Wing Han, Ivy, FCPA (Vice President)
Mr. Clement CHAN, FCPA (Immediate Past President)
Ms. Melissa BROWN (Appointed lay member)
Mr. Raymond CHENG, FCPA
Ms. Jennifer H.Y. CHEUNG, FCPA
Prof. CHO LUNG Pui Lan, Stella, FCPA
Ms. Ada CHUNG, FCPA (Rep. of the Financial Secretary)
Mr. Johnson KONG, FCPA
Mr. LAM Chi Yuen, Nelson, FCPA
Mr. LAW Fu Yuen, Patrick, FCPA
Mr. Stephen LAW, CPA
Mr. Martin SIU, CPA (Director of Accounting Services)
Mr. TAM Wing-pong (Appointed lay member)
Mr. Alec C.C. TONG, CPA (Co-opted member)
Mr. Eric TONG, FCPA
Mr. Richard TSE, FCPA
Mr. Kim Man WONG, CPA
- Apologies : Prof. Gary C. BIDDLE, FCPA (Co-opted member)
Mr. Andrew FUNG (Appointed lay member)
Mr. Ronald KUNG, FCPA
Mr. Andrew Y.S. MAK (Appointed lay member)
- Chief Executive & Registrar : Mr. DING Wai Chuen, Raphael, FCPA
- Other members present : 49

There being a quorum, the Chairman called the meeting to order.

The Chairman proposed, Mr. Doug Oxley seconded and members present unanimously agreed by a show of hands that the Notice of the Meeting be taken as read.

1. President's address

The President updated members on the Institute's developments during the year as follows:

- The conclusion of the government's public consultation on proposals to improve the regulatory regime for listed entity auditors was the biggest issue in terms of standards and regulations. Although the consultation had incorporated many of the Institute's recommendations, the Institute still believed that more clarity would be needed before the legislative

process begins. In the next phase, the Institute would continue to engage with the Financial Services and the Treasury Bureau to ensure the establishment of an audit regulation system that meets international benchmarks, is appropriate to the local context and most importantly protects public interests.

- On membership initiatives, the Institute had introduced a series of keynote events to help members gain new knowledge and perspectives based on the feedback received from the annual membership survey. Prominent leaders, including those in business and in government, had been invited to speak in the highly popular Current Affairs Series and Business Leaders Series. As a gesture to support member development, the Institute offered a membership fee rebate and encouraged members to use it for professional learning.
- To support the career growth of young members, the Institute piloted the mentorship programme, which received an overwhelming response with 150 pairs of mentors and mentees being matched. Feedbacks from mentors and mentees had respectively indicated that coaching experience was invaluablely rewarding and exposure to experienced accountants from different fields and industries had enriched their work experience and helped their career development.
- In October, the Institute launched its official Facebook page and within a short period of time, already 5,000 people liked the page to receive updates on professional issues and engage with other members.
- The Institute had an eventful year regionally and globally. From the Cross-Straits, Hong Kong and Macau Accounting Profession Conference and the Asian-Oceania Standard-Setters Group annual meeting, to the IFRS Foundation IFRS conference and the Global Accounting Alliance board meeting, the Institute once again showed its important role in the global accounting community by hosting or participating in all these conferences.
- Joint events held with the ICAEW, CIMA and other leading accounting institutes around the world allowed a cross-pollination of ideas and exposing our members to the latest innovative resources. To top it all off, the Institute's Chief Executive was appointed to the board of the International Federation of Accountants.

Before closing, the President accorded a vote of thanks to the two Vice Presidents, the Immediate Past President, fellow Council members, committee members and volunteers for their support and commitment. The President also thanked the Chief Executive, his management team and staff for their professionalism and dedication.

2. To receive the annual report and approve the statement of accounts

The Chairman proposed, Mr. Wilson Fung seconded and the members present unanimously agreed by a show of hands that the auditor's report be taken as read.

The Chairman invited the Chief Executive to give a brief account of the Institute's financial performance during the reporting period.

The Chief Executive informed the meeting that the Institute was still in a very good financial position. The Group, namely, HKICPA and HKIAAT, recorded a \$14.6 million surplus after tax compared with \$21.4 million surplus after tax in 2013/14. The surplus was after allowing for the \$7.5 million one-off rebate of \$200 each to members who were on the register as at 1 January 2015 therefore was comparable with the \$21.4 million surplus after tax last year.

The surplus could be attributed to a number of reasons including (1) the natural growth in membership which resulted in about \$4.1 million increase in subscription; (2) higher recovery of disciplinary and litigation costs which accounted for \$2.5 million and (3) \$1.2 million increase in interest income due to more time deposits were placed at a higher interest rate.

It was noted that HKIAAT's income had decreased by over \$2 million due to the decrease of membership subscription and lower examination income caused by the uncertainty brought by the anticipated reform on AAT qualification which would be combining with the HKICPA QP qualification.

Despite a salary increase since July 2014, the Institute managed to contain the salary expenses, which were its largest expense item, caused by tight control over headcounts and delays in filling vacancies.

In response to questions raised through some Council election candidates about Institute's salaries being on the high side, the Chief Executive responded that the Institute's staff was divided into two categories, namely, professional and technical staff and administrative staff. The Institute was always short of competent professional and technical staff. The Institute was trying to address human resources issues by on one hand increasing the attractiveness of the remuneration package for professional and technical staff and on the other hand addressing the productivity of the administrative staff through system automation.

Over time, it was expected that there would be a gradual shift from administrative staff to professional staff because the Institute would need to recruit more high caliber technical staff in order to serve members better, enhance its international participation and engage in thought leadership projects.

The Chief Executive further reported that \$1.6 million was incurred on professional fees which were primarily related to new projects including the development of a financial controllership programme which was expected to be launched sometime in 2016 and also on the review of the Institute's qualifying process.

Furthermore, there was a \$2 million reduction in examination and workshop expenses mainly due to the lower cost of the learning packs.

The Group had a net asset balance of \$392 million and the net current asset represented about 11 months of its operation costs. Over the past three years management had tried very hard to maintain a very sound financial position and that it would make good use of the reserve by looking for additional space for training; upgrading its infrastructure and building up the management's capacity to better serve members and launching thought leadership and engaging more with local and international communities.

The Institute incurred, for the first time, some currency exchange loss in RMB time deposit after the balance sheet date. The amount was not very significant after allowing for additional interest income and had been reported as a post balance sheet event in the 2015 financial statements.

The Chairman invited comments from members on the statement of accounts.

In the absence of any comments from the floor, the Chairman proposed, Mr. Philip Tsai seconded and the members present unanimously resolved by a show of hands that the statement of accounts for the year ended 30 June 2015 be approved.

3. To appoint auditor of the Institute under Professional Accountants By-law 42(1)

The Chairman proposed, Mr. Chris Joy seconded and the members present unanimously resolved by a show of hands to appoint Mazars CPA Limited as the Institute's auditor until the next Annual General Meeting.

4. To elect seven Council Members in accordance with sections 12 and 13 of the Professional Accountants Ordinance

The Chairman informed the meeting that for the seven vacancies this year, the Registrar had received 11 nominations and a ballot was taken. The Registrar received 3,279 valid returns of which 1,185 members voted by means of hardcopy ballot forms and 2,094 electronically.

The Chairman declared that pursuant to Professional Accountants By-Laws 3(5), the following seven candidates were elected to the Council to serve on two years until the conclusion of 45th Annual General Meeting in 2017:

Ms. CHAN Mei Bo, Mabel
Ms. CHEUNG Hok Yan, Jennifer
Mr. LAM Chi Yuen, Nelson
Mr. LAW Cheuk Kin, Stephen
Mr. LAW Fu Yuen, Patrick
Mr. WONG Hin Wing
Mr. WONG Kim Man

The Chairman further said that under section 12 of the Professional Accountants Ordinance, the following seven Council members would continue in office for one further year until the conclusion of the 44th Annual General Meeting in 2016:

Mr. Raymond CHENG
Ms. CHEUNG Wing Han, Ivy
Mr. Dennis HO
Mr. Johnson KONG
Prof. CHO LUNG Pui Lan, Stella
Mr. Eric TONG and
Mr. Richard TSE

The Chairman went on to explain that in addition to the 14 elected members, there were two ex-officio members, namely, Ms. Ada Chung, Registrar of Companies representing the Financial Secretary, and Mr. Martin Siu, Director of Accounting Services serving on the Council.

In addition, there were four lay persons appointed by the Chief Executive of the HKSAR to serve on the Council: Ms. Melissa Brown, Mr. Andrew Fung, Mr. Andrew Mak and Mr. Tam Wing-pong. While Ms. Brown and Mr. Tam would serve the second year of their two-year term in the coming year, Mr. Fung's and Mr. Mak's term of service would end on 30 November 2017.

The Chairman thanked Mrs. Natalia Seng, lay Council member, whose term of service ended in November 2015 for her contributions to Council in the past two years.

The Chairman also extended a vote of thanks to the following retiring Council members, Mr. Clement Chan, immediate past president; Mr. Ronald Kung, elected Council member; Prof. Gary C. Biddle and Mr. Alec Tong, co-opted Council members for their past contributions to the Council.

5. **Any other ordinary business**

The Chairman informed the meeting that no official notification of any items to be discussed had been received and, as such, the meeting had no other business. However, if any members wished to express their views on any subjects of interest which did not form part of the AGM, they might do so now.

Mr. Edward Chow expressed his views on the following matters:

- Mr. Chow said that it had been a long tradition for the incumbent President and the Chief Executive to meet with the past presidents twice a year for lunch to exchange views and to let the past presidents know what was going on at the Institute including the pressing issues. He recalled that at a recent lunch there was a suggestion that despite their age, past presidents were willing to engage with Institute to provide advice. This offer, which was a good gesture on the part of the past presidents, was open to Council and members at large.
- Mr. Chow said he would like to know what Institute would advocate to the IFAC board on the issue of over regulation, which was a concern to many practitioners.

The President said that he was very glad to see that the past presidents were so enthusiastic to engage more with the Council and members sharing their wisdom and knowledge particularly to young members, for which he was most thankful. He further referred to the recent IFAC round table on regulatory issues jointly hosted with the Institute in Hong Kong and invited members to read the IFAC's recent survey report "From crisis to confidence: The Role of Good Regulation".

Chief Executive said that IFAC planned to issue a report on the preliminary views gathered at the round table early next year. The report would be presented to the regulators in the region with a view to provide more opportunities for direct engagement. He emphasized that it was not an issue of over or under regulation but whether the regulations which were introduced after the global crisis in 2008/9 had achieved their original objectives.

IFAC had been trying very hard to bring to the attention of financial regulators, not just the regulations of auditing and accounting profession but the financial regulations in general. IFAC sees itself as a more neutral voice in commenting on financial regulations.

He reported that there was some very in-depth frank exchange of views between the regulators and IFAC board members during the round table and that IFAC was also very encouraged with the success of this very first of the series of regulatory round tables, which would be replicated in Australia, Europe and the Americas.

Chief Executive said that we should be proud HK was always the first to host similar international round tables. The round table on non-compliance with laws and regulations on the new ethics standards in 2013 that attracted a number of regulators, regulatees and stakeholders in the region, and had resulted in substantial revisions of the exposure drafts of the international ethics standards.

Chief Executive further reported that Hong Kong had been absent from IFAC board for almost 10 years and is now able to participate alongside CICPA nominee. He also advised that China had joined the rank of UK, USA and Australia in having two nominees on IFAC board. In addition, Chief Executive has also been appointed to the planning and finance board committee, an important IFAC board committee responsible for developing strategies and looking after finance and KPIs of IFAC. All these appointments reflect the recognition of Hong Kong's importance by the international accounting community.

Taking the opportunity, the Chief Executive extended a special vote of thanks to those senior members of the profession who had participated in the IFAC committees and boards, for the very good work that they had done in the past in building and goodwill, including Mr. Peter Wong, Mr. Eric Li, Mr. Edward Chow, Mr. Paul Chan and Mr. Albert Au.

It was further noted that the priority of IFAC for the next two years was to look at the governance and processes for setting international auditing assurance standards, international ethics standards and international accounting education standards.

- The Chairman thanked Mr. Chow for raising the matters and the Chief Executive for his detailed response on HKICPA's position relating to IFAC.

There being no further business, the Chairman declared the meeting closed at 6:09 p.m.

DENNIS HO
CHAIRMAN

5 January 2016